

NEWCASTLE MUNICIPALITY



ANNUAL REPORT 2010/2011(Draft)

Volume 1



TOGETHER WE CAN DO IT BETTER
SISONKE SINGENZA OKUNGCNO
SAAM DOEN ONS DIT BETER

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PREFACE

Legislative

Section 121 of the Local Government : Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that “

1. *Every municipality and every municipality entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control in accordance with section 129.*
2. *The purpose of an annual report is-*
 - (a) *To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;*
 - (b) *To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
 - (c) *To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity*
3. *The annual report of the municipality must include-*
 - (a) *The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section 126 (1);*
 - (b) *The Auditor General report in terms of section 126 (3) on those financial statements.*
 - (c) *The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;*
 - (d) *The Auditor General’s audit report in terms of section 45 (b) of the Municipal Systems Act.*
 - (e) *An assessment by the municipality’s accounting officer of any arrears on municipal taxes and service charges;*
 - (f) *An assessment by the municipality’s accounting officer of the municipality’s performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue sources and for each vote in the municipality’s approved budget for the relevant financial year;*
 - (g) *Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d)*

- (h) Any explanation that maybe necessary to clarify issues that in connection with the financial statements;*
 - (i) Any information as determined by the municipality;*
 - (j) Any recommendations of the municipality's audit committee; and*
 - (k) Any other information as may be prescribed.*
4. *The annual report of a municipal entity must include-*
- (a) The annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2) on those financial statements*
 - (b) The Auditor General's audit report in terms of section 126 (3) on those financial statements;*
 - (c) An assessment by the entity's accounting officer of any arrears on those financial statements;*
 - (d) An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality*
 - (e) Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);*
 - (f) Any information as determined by the entity or its parent municipality;*
 - (g) Any recommendations of the audit committee of the entity or its parent municipality; and*
 - (h) Any other information as may be prescribed."*

ABBREVIATIONS

BEE	-	Black Economic Empowerment
CBD	-	Central Business District
CBP	-	Community Based Planning
CIF	-	Capital Investment Framework
COGTA	-	Co-operative Governance and Traditional Affairs
DBSA	-	Development Bank of South Africa
DAERD	-	Department of Agriculture, Environmental Affairs and Rural Development
DLTGA	-	Department of Local Government and Traditional Affairs (Now Cogta)
DM	-	Department of Minerals
DOE	-	Department of Education
DOH	-	Department of Housing
DORA	-	Division of Revenue Act
DOT	-	Department of Transport
DWAF	-	Department of Water Affairs and Forestry
EIA	-	Environmental Impact Assessment
EPWP	-	Extended Public Works Programme
EXCO	-	Executive Committee
GGP	-	Gross Geographical Product
GIS	-	Geographical Information System
HIV/AIDS	-	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICC	-	Interdepartmental Co-ordination Committee
ICT	-	Information Communication Technology
IGR	-	Intergovernmental Relations
IDP	-	Integrated Development Plan
IDP RF	-	Integrated Development Plan Representative Forum
IWMP	-	Integrated Waste Management Plan
KZN	-	KwaZulu-Natal
LED	-	Local Economic Development
LGTAS	-	Local Government Turn Around Strategies
LRAD	-	Land Redistribution for Agricultural Development
LUMS	-	Land Use Management System
MEC	-	Member of the Executive Council (Local Government and Traditional Affairs)
MDB	-	Municipal Demarcation Board
MFMA	-	Municipal Finance Management Act No. 56 of 2003

MIG	-	Municipal Infrastructure Grant
MSA	-	Municipal Systems Act No. 32 of 2000
MTCF	-	Medium-term Capital Framework
MTEF	-	Medium-Term Expenditure Framework
MTSF	-	Medium-Term Strategic Framework
NHBRC	-	National Home Builders Registration Council
NNTAS	-	Newcastle Turnaround Strategy
NSDP	-	National Spatial Development Perspective
NWMS	-	National Waste Management Strategy
PSEDS	-	Provincial Spatial Economic Development Strategies
PGDS	-	Provincial Growth and Development Strategy
PIMS	-	Planning, Implementation and Management System
PMS	-	Performance Management System
PMU	-	Project Management Unit
PPP	-	Public-Private Partnership
PSEDS	-	Provincial Spatial Economic Development Strategy
PTP	-	Public Transport Plan
RDP	-	Reconstruction and Development Programme
RSC	-	Regional Service Centre
SADC	-	Southern Africa Development Community
SCOPA	-	Standing Committee on Public Accounts
SEA	-	Strategic Environmental Assessment
SDF	-	Spatial Development Framework
SDBIP	-	Service Delivery and Budget Implementation Plan
SDP	-	Site Development Plan
SMME	-	Small, Medium and Micro Enterprise
TA	-	Tribal Authority
TLC	-	Transitional Local Council
VTC	-	Voluntary Testing and Counselling
WSB	-	Water Services Backlog
WCDM	-	Water Conservation and Demand Management
WSDP	-	Water Services Development Plan

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2. Consolidated Infrastructure Plan (Draft) 2008
3. Amajuba IDP Review 2010/11
4. Global Insight Statistics – Amajuba District Municipality
5. Community Survey 2007
6. Newcastle LED Strategy
7. Newcastle SDF 2010/11
8. National Treasury website (www.treasury.gov.za)
9. Local Government Turn Around Strategy
10. Newcastle Municipality Annual Financial Statements 2010/11
11. Newcastle Municipality Consolidated Annual Financial Statements 2010/11
12. Report of the Auditor-General for the Newcastle Municipality for 2010/11
13. Uthukela Water Annual Performance Report 2010/11
14. Newcastle Municipality Annual Performance Report 2010/11
15. All relevant policies and frameworks
16. All relevant legislation

ACKNOWLEDGEMENT

Special Thanks to :

1. *Councillors and officials of the Newcastle Municipality without whose input and support it would not be possible to compile this report*
2. *Officials of Uthukela Water (Pty) LTD for their co-operation*
3. *Officials of the Office of the Auditor-General for support and assistance*

CHAPTER 1

MAYOR'S STATEMENT ON POLICY AND COMMITMENT



As the Mayor of Newcastle I am deeply humbled and honored to present to you the Annual Report for 2010/11.

I would like to re-iterate what I said in my inaugural address as Mayor of the new Council - During the campaign trail for the Local Government Elections I had visited both rich and poor homes across Newcastle, from Madadeni to Masondeza, Blaauwbosch to Ballengiech, Charlestown to Cavan, Normandien to Mdozo, Aviary Hill to Arbor Park and all parts in between. I had listened to praises about the performance of Newcastle Municipality from some communities but at the same time I also heard the cries of communities that are still longing for the much needed basic services, including housing, water and sanitation, roads as well as electricity. The difference in service delivery and opportunities that some communities experience run so deep, that it seems we share a continent, but not a country. We cannot ignore those voices and must continue not only to hear them, but also plan and act so that all communities of Newcastle can relish the same standard of service delivery.

One of the loudest cries by our communities is the lack of jobs and we will therefore continue to capacitate our departments in order to respond to the Presidents challenge of job creation, we will ensure that every government project in every area will employ people from the very area that they are

developing. We will be devising strategies to access the jobs fund and we will invite businesses to partner with us in this quest. Service providers will have to provide continuous reports on the number of people trained and employed on each project. I encourage that the oversight role not be confined just to Councillors, but that communities also play a vital role in monitoring the performance of the municipality.

We need to address the immediate issues regarding poor service delivery and job creation; it is our responsibility to ensure that the masses of people, who have placed their trust in us, will be well presented in the governance of this Council.

What will Newcastle have to offer a child that is born today in Blaauwbosch in 20 years from now? How can we be certain that such a child will have access to basic services and be equipped with the right skills and knowledge and have access to quality employment? Therefore we need to plan for the future of a sustainable Newcastle. The truth is that we cannot hypothesize that anything will improve in the future unless we act today. Meeting the needs of future generations requires careful planning with a sufficient long-term vision that allows institutions to respond appropriately now with a 10 year or more mindset. It is only with rigorous action by the Municipality and all its social partners that we can assure a future that is sustainable, productive, inclusive and well governed.

In order to ensure that service delivery is improved and implemented to all communities in Newcastle, a strategic approach is required. The strategic approach is meant to highlight the impact that the municipality seeks to achieve its objectives. Various programs have been identified and aligned to the Integrated Development Plan (IDP) priority issues. The IDP Programs were identified and ranked against the National Key Performance Areas (KPA). These were included for monitoring as part of the Performance Management System which forms part of this report. The outputs will promote basic access to infrastructure and service delivery, to improve the standard of living and maintain a high quality of life in Newcastle area and to create a condition conducive to economic development. These results are meant to reflect on the tangible results achieved by the municipality through the implementation of actions plans or operational objectives. The Municipal Turnaround Strategy will also be refined and linked to these programs and strategic objectives in order to ensure continuity and alignment.

I pledge my Governments Primary focus on Human Development and improving the quality of life for all our people. We will continue our budget reformation reports that Newcastle has the second best developmental budget in the country, after the city of Johannesburg. The budget reformation process will see us continuing to reduce expenditure on operations and channeling more money towards capital infrastructure. Since 2009 to 2012, we will be already be spending over R700 million on new capital projects, over and above a new comprehensive approach to maintaining infrastructure that already exists in the suburbs.

Management and staff must be aware that they are held responsible for the quality of service delivery extended to all our residents. This should be done within the context of fiscal responsibility and the highest standards of prudent financial management we have set ourselves. We must be able to continue to account for every cent of public funds and withstand the scrutiny of the Auditor General.

The following achievements are commended :

- Basic service backlog eradication – intensive standpipe installation and water tanker service
- Implementation of a new Financial Management System
- Appointment of critical staff , including that of the Municipal Manager and other senior managers
- Addressing of the water crisis through the approval of the WSDP and WCDM
- Fast tracking of VIP desludging to avoid health risks
- Servicing of informal settlements with basic water and sanitation services
- Roll out of and establishment of Special Programme Fora such as Gender, Youth etc.
- Purchase of additional emergency vehicles, tractors and machinery
- Construction of 35,2km of new tarred roads
- Major resealing and grading of roads as part of the maintenance programme of Council
- The long awaited Upgrading of the Civic Centre (Phase 1)
- Winning the Greenest Municipality in Kwazulu-Natal
- The creation of approximately 1600 jobs through the municipal capital programme and LED initiatives
- The biggest, mostly self- funded capital programme in the history of Newcastle being approved for the 2011/12 financial year
- An intensive public participation process and the early approval of the IDP Review and Budget for 2011/12 in April 2011

Of course, there is concern over the increasing outstanding debt of Council. Whilst it is necessary to fast track revenue enhancement and debt collection strategies as a collective, we cannot ignore the impact of the global economic crisis, high unemployment rate in Newcastle and the average annual growth rate of approximately 4% on indigent support. The call for innovative ways to address this crisis cannot be over-emphasised as the maintenance of a good debtor's book is key to the financial viability of the Municipality.

Whilst a qualification has been obtained by the Auditor-General for the 2010/11 financial year, I remain positive that there has been a drastic improvement compared to the previous years' audit opinion. Newcastle Municipality remains committed to obtaining a Clean Audit by 2014.

It is my hope that all stakeholders from within and outside the municipality will find in this report reason to intensify their input and involvement in the development of Newcastle and its people, and that the

report itself is able to answer questions related to the Newcastle Municipality service delivery programs for the period that is being reviewed.

In conclusion *"We know it well that none of us acting alone can achieve success"* Nelson Mandela (1994). We must work together towards one goal, one vision where there will be basic services available for every community in Newcastle, a Newcastle where every person has food, education, a job ,quality service delivery by all levels of government, peace and justice. Let our commitment as Newcastle Municipality be a catalyst for positive change in the lives of all those who reside in Newcastle.

CLLR AF REHMAN
MAYOR

MUNICIPAL MANAGER'S FOREWORD



The 2010/11 financial year for the Newcastle Municipality has been an eventful year as presented in this Annual Report.

The Municipality faced many challenges, ranging from the eventful Fifa World Cup at the beginning of the financial year, the roll out of the Municipal Turnaround Strategies and then culminating in the 4th democratic elections for local government in April 2011.

It was inevitable that these national and administrative imperatives would impact on the organisation as whole. The Municipality, especially the administration was under extreme pressure to ensure that the IDP and Budget were approved timeously as the approval process coincided with the elections.

Furthermore, the municipality was faced with the service delivery challenge of implementing the biggest budget in the history of the municipality.

The Administration has left no stone unturned to explore options to ensure that service delivery was not interrupted and that as far as possible service delivery targets were met.

Great emphasis was placed on innovative ways to fast track the Capital programme and to ensure that critical posts were filled to implement on the operational goals of the municipality.

Notwithstanding these challenges and the fact the a qualification from the Auditor-General on the financial statements of the Municipality, I am pleased to announce that the Newcastle Municipality has in fact made significant progress in its performance, especially in so far as eradication of backlogs is concerned. Furthermore, there have been major developments in speeding up capital development and increasing the net asset value of the municipality.

This Annual Report therefore attempts to highlight achievements made by the Newcastle Municipality in implementing and reporting on both National priorities and the Service Delivery objectives. It goes further to identify gaps for improvement and lessons learnt to improve service delivery processes.

K MASANGE (MR)
MUNICIPAL MANAGER

ASSESSMENT OF ANY ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES BY MUNICIPAL MANAGER

There was no significant change in the monthly pay factor during the year under review, indicating that the accountholders paying their accounts in the previous financial year, on the whole, continued paying their accounts in the current year. The accountholders not previously paying their accounts appear to still not be paying their accounts.

The electricity supply in the Municipality's area of supply is terminated on a monthly basis for non-payment of municipal services; however, in the area where Council does not supply electricity the increase in the outstanding debtors of the municipality can be attributed mainly to the lack of credit control and debt collection regarding water consumption.

There are huge water leaks in part of the community's infrastructure, as well as leaks within the respective properties. Council has not yet addressed the restriction of water to 6Kl per month to the indigent households, as well as taking no punitive action against the accountholder who is not paying the monthly water consumption account. The accumulating debt is attributed mainly to the above, whilst the other problem encountered is that of deceased estates not being properly wound up and the property being legally transferred to the new owner with the Registrar of Deeds office.

A pilot project consisting of 1 000 households is currently underway, which will identify the required policy amendments and changes in current procedures for when rolling out the installation of water flow regulators to the entire community thereafter. In terms of the project the water leaks are fixed, and the indigent status rectified where necessary. If the household is genuinely indigent, the water will be restricted to 12Kl and the monthly account will be fully subsidized. Zonal meters have been installed as part of this project to cover the water distribution to the 1000 households to ensure that leaks that area between the zonal meters and individual meters are identified and fixed.

The successes of the above project will determine the way forward in rolling out the project to the entire community thereafter. The aforementioned project is implemented together with an extensive community communication campaign to educate the community with regard to fixing leaks on own

property and being financially accountable for the use of the municipal resources, together with looking after a valuable natural resource.

The legal section of the Municipality is investigating the way forward with regard to the winding up of Deceased Estates to eliminate the further accumulation of debt in this regard.

The Debt Collection, Credit Control and Customer Care Policy is reviewed annually and will be updated in terms of the requirements of the Revenue Enhancement Strategies, once finalized.

Debt escalation has been controlled to a certain extent by the implementation of the Council's existing Debt Collection, Credit Control and Customer Care Policy. The debt collection section encourages the debtors to make payment arrangements where possible, but in other instances applies for emolument attachment orders, writs of execution, etc.

VISION

The Vision of the Newcastle Municipality is :

**“NEWCASTLE MUNICIPALITY –
Together We Can Do it Better”**

Translated into isiZulu, the Vision reads as follows:

“Sisonke – singenza okugcono”

Translated into Afrikaans, the Vision reads as follows :

“Saam doen ons dit beter”

MISSION STATEMENT

The Mission of the Newcastle Municipality is:

“Newcastle Municipality commits itself to render sustainable services, promote economic growth and achieve financial stability through Community Participation”

VALUE SYSTEM

It was considered appropriate to develop and promote organisational culture as follows :

- ❖ NATION BUILDING
- ❖ EQUITY
- ❖ WELLBEING
- ❖ CUSTOMER SATISFACTION
- ❖ ACCOUNTABLE
- ❖ SUSTAINABLE
- ❖ TRANSPARENT
- ❖ LEADERSHIP
- ❖ EFFICIENT/EFFECTIVE/ECONOMICAL/EXCELLENCE

HIGH LEVEL STRATEGIES

Our high level strategies which have been rationalised since 2006 are :

Table 1 High Level Strategies

NATIONAL KPA	GOAL/OBJECTIVES
Basic Services	Maintain existing levels of services
	Eradicate basic services backlogs in line with resources available to align to National Targets
	Extend services to previously un-serviced areas
	Clarify roles and responsibilities in respect of Powers and Functions
	Develop and /or review sector plans
	Centralise Project Management Unit
Institutional Development and Transformation	Finalise restructuring processes (Micro Structure)
	Develop and review HR strategy and/or policies
	Fill critical positions
	Review and implement Workplace Skills Plan and Employment Equity Plan

NATIONAL KPA	GOAL/OBJECTIVES
	Address minimum competency standards of senior managers
	Finalise additional office requirements
Good Governance and Public Participation	Establish Oversight Committee/SCOPA
	Functional Audit Committee
	Address issues raised by the Auditor General
	Improve Batho Pele and Corporate image
	Enhance communication and feedback processes via Ward Committees and other Fora
	Incorporate and implement LG TAS
Financial Viability	Improve payment factor
	Finalise and implement revenue enhancement strategies
	Finalise and implement Financial Plan
	Fast track implementation of new financial system
	Monitor compliance with MFMA requirements

NATIONAL KPA	GOAL/OBJECTIVES
	Centralise Supply Chain Management Process
Local Economic Development	Mainstreaming of LED
	Review and implement LED Strategy
	Fast track programmes for SMME development
	Develop and implement Marketing and Business Retention and expansion Strategy
	Review institutional options for LED
	Mainstream EPWP to meet National targets
Spatial and Environmental Planning	Develop and/or review SDF and EMP
	Implement Urban Renewal Strategy
	Finalise LUMS
	Develop area based plans for all Primary and secondary development nodes
	Integrate all projects and programmes through the GIS

NATIONAL KPA	GOAL/OBJECTIVES
	Law enforcement for all planning bylaws
	Align and Stimulate investment and economic growth through corridor planning to PSEDS and NSDP

CHAPTER 2

MUNICIPAL OVERVIEW

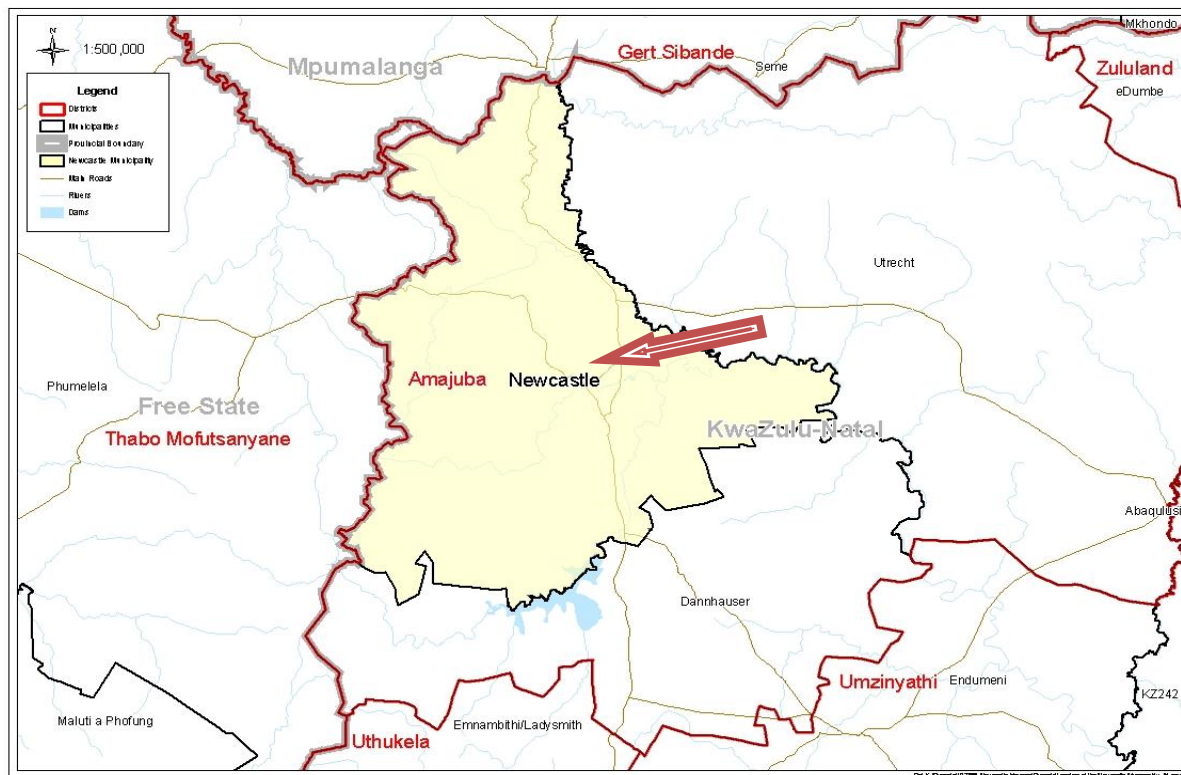
LOCALITY AND BACKGROUND

Newcastle is the third largest urban center in KwaZulu-Natal South Africa, is categorized as a Secondary city and is the biggest municipality within the Amajuba District. Newcastle is located in the North West corner of the province along the Ncandu River and is moderately industrial. The upper part of the Drakensberg mountain range curls along the west side of the town. The town was strategically placed in 1854 by the Surveyor General of the Natal Colony, Dr PC Sutherland. The town was later known as the Waterfall River Township because of the Ncandu River. In 1864, the town of Newcastle was founded on the site, becoming the fourth town to be established in Natal. The Town was named after the British Colonial Secretary, the Duke of Newcastle.

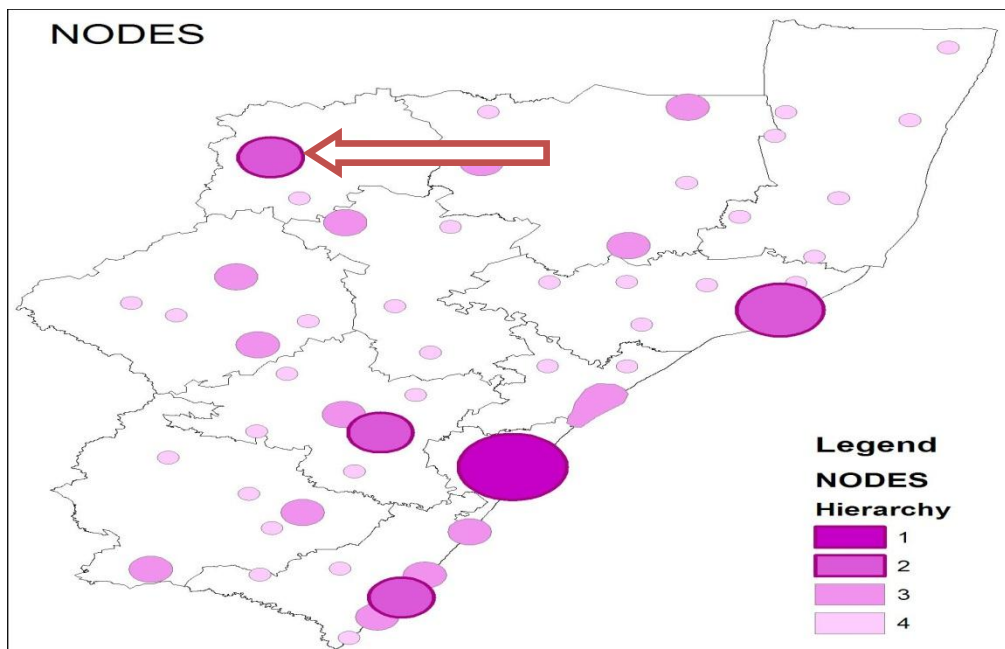
Newcastle functioned as a major transport junction and popular stopover for wagons and post chaises during the late 1800s. In 1890, the first train arrived in Newcastle. In 1891, Newcastle was declared a borough. The discovery of coal brought a new era of prosperity to the town and several ambitious building projects were planned for Newcastle in the late 1900's.

The total population for Newcastle in 2010 is estimated at 539228, projected from the 2001 stats at an average annual growth rate of 3.5% compared to the provincial year on year growth of 2,8% as at December 2009. This is also higher than the estimated population as per Community Survey 2007 results which indicates a decline in population growth. Newcastle has experienced an influx of people in the past few years and this is evident in the increase in the informal settlement population, as well as an increase in the number of residential buildings (includes town houses) occupied.

The Newcastle Municipality is made up of 31 wards with the majority of the population (approximately, 78%), resident in the previously disadvantaged R293 townships of Madadeni, Blaauwbosch and Osizweni areas to the East - which is now a primary development corridor of the Municipality. One of the biggest challenges that the municipality faces is equitably integrating the East to the former established area of Newcastle to the West.



In terms of the Provincial Spatial Economic Development Strategy, Newcastle is identified as a secondary investment node, clearly with the potential to address some of the poverty concentrations found within the area.



Wards 1,6 12,15,16,18 and 31 have been identified as rural wards compared to the other 24 wards being identified as urban wards.

POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Newcastle Municipality is a Category B Municipality as determined by the Demarcation Board in terms of Section 4 of the Municipal Structures Act, 1998. The municipality functions under the Collective Executive system, consisting of 9 members. The Mayor is elected from the Executive Committee. The Council consists of 61 councillors of which 10 are full-time councillors. Of the 61 councillors, 31 are ward elected councillors with the remaining 30 elected as proportional representation councillors. The Council has five Portfolio Standing Committees, with members of the Executive Committee serving as a Chairperson and Deputy Chairpersons.

FUNCTIONAL ANALYSIS

In order to maximise administrative and operational efficiency, all powers subject to section 32 of the Local Government : Municipal Structures Act 1998, not otherwise delegated, have been delegated to the Executive Committee excluding the following :-

- Approval of an Integrated Development Plan
- Passing of by-laws
- Approval of budgets
- Imposition of rates and other taxes, levies and duties
- Raising of loans

The following councillors have been designated as full-time councillors :-

- Speaker
- Members of the Executive Committee
- Chief Whip

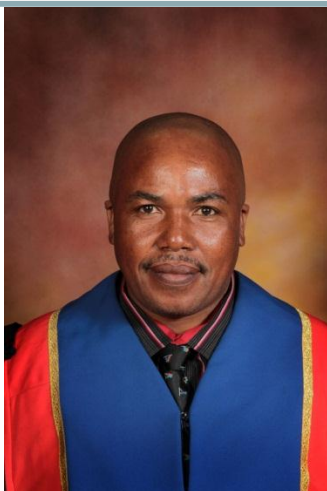
The Speaker is also Chairperson of the whips committee.

ANALYSIS OF MEETINGS

Council meetings	9
Special Council meetings	7
Executive Committee meetings	8
Special Executive Committee meetings	27
Number of reports considered by Executive Committee	324
Number of resolutions formulated	287
Number of recommendations to Council	37

COUNCIL REPRESENTATION

The 4 fourth local government elections fell within the financial year under review. Local Government Elections was held on the 18th May 2011. As a result, the term of office of the old Council ended on the 17 May 2011, with the new Council taking office from the 30th May 2011.



The Speaker of Council : Councillor M F Zikhali

The following table reflects the composition of Council in terms of party representation and gender representation over the term of both the old and new Council.

PARTY NAME	1 JULY 2010 – 17 MAY 2011			30 MAY 2011 – 30 JUNE 2011		
	NUMBER	MALE	FEMALE	NUMBER	MALE	FEMALE
ACDP	1	-	1	-	-	-
ANC	31	22	9	33	22	11
AZAPO	-	-	-	3	3	-
DA	6	4	2	5	3	2
FF+	1	1	-	-	-	-
FCON	4	3	1	1	1	0
IFP	17	13	4	12	8	4

NFP	-	-	-	5	4	1
RLP	1	1	-	2	2	0
TOTAL	<u>61</u>	<u>44</u>	<u>17</u>	<u>61</u>	<u>43</u>	<u>18</u>

The full time Chief Whip of Council is Councillor SM Thwala.

EXECUTIVE COMMITTEE MEMBERS AND THEIR PORTFOLIOS FOR THE PERIOD 1 JULY 2011 – 17 MAY 2011

The portfolio committees are aligned to the macro structure of the municipality as follows :

- ✓ Portfolio Standing Committee : Finance
- ✓ Portfolio Standing Committee : Community Services
- ✓ Portfolio Standing Committee : Corporate Services
- ✓ Portfolio Standing Committee : Development Planning and Human Settlements
- ✓ Portfolio Standing Committee : Technical Services

Each Portfolio Committee is chaired and deputy chaired by a member of EXCO .

For the period 01 July 2010 to 17 May 2011, the Executive Committee was constituted as follows :-

PORTFOLIO	CHAIRPERSON	DEPUTY CHAIRPERSON
Mayor and Finance WEF 15/03/10	Cllr. A.F. Rehman	-
Deputy Mayor WEF 15/03/10	Cllr. N.J. Hadebe	-
Community Services	Cllr. P.H. Mbatha-Cele	Cllr. M.E. Zwane
Corporate Services	Cllr. N.J. Hadebe	Cllr. C.L. Dube
Development Planning and Human Settlements	Cllr. T.A. Makhoba	Cllr. R.B. Ndimba
Technical Services	Cllr. G.A. Mncube	Cllr. B.J. Liebenberg

EXECUTIVE COMMITTEE MEMBERS FOR THE PERIOD 30 MAY 2011 – 30 JUNE 2012

Due to the new Council still being new and undergoing induction, Portfolio Committees were not established by the 30 June 2011. However the following Councillors were nominated for the EXCO:-

EXCO MEMBERS	PARTY
Cllr A F Rehman -Mayor	ANC
Cllr R M Mdluli - Deputy Mayor	ANC
Cllr T Z Hadebe	DA
Cllr N P Kunene	ANC
Cllr S B M Lukhele	NFP
Cllr R B Ndim	IFP
Cllr B S Ntombela	ANC
Cllr M Shunmugam	ANC
Cllr J A Vorster	IFP

ADMINISTRATIVE GOVERNANCE

The following positions were held as at the 30 June 2011 :

Municipal Manager	Mr K Masange
Chief of Operations	Mr B E Mswane
Executive Manager : Legal Services	Mr EM Nkosi
Head : Internal Audit	Mr S V Ngwenya
Strategic Executive Director : Finance	Mr MJ Mayisela
Strategic Executive Director : Technical Services	Mr S B Dube
Acting Strategic Executive Director : Community Services	Mr E M Nkosi
Acting Strategic Executive Director : Development Planning and Human Settlements	Mr EJ Nyathikazi
Acting Strategic Executive Director : Corporate Services	Mr E Hauptfleisch

CORPORATE GOVERNANCE

PUBLIC PARTICIPATION

The functional public participation structures of the municipality are :

- ✗ IDP/PMS Co-ordination Committee through the District
- ✗ Planning Co-ordination committee
- ✗ AFLED and Sub-structure (Agriculture, Tourism, Industry)
- ✗ ICT Co-ordination Forum
- ✗ GIS Co-ordination Forum
- ✗ District wide Sector Plans
- ✗ Siyenza Manje
- ✗ IDP Representative Forums
- ✗ Traditional Leaders
- ✗ Landowners – JBC Steering Committee
- ✗ Ward Committee Structures - 31 wards
- ✗ Pilot Ward 15 – CBP – Newcastle

The draft Public Participation Policy is in the process of approval after public comments were received. A hearing is to be arranged to consider the comments received and finalise the policy framework.

Accordingly, the need to restructure the IDP RF has been identified for the following reasons :

- ✗ IDP RF already a structure- mandate to represent community – without a formal Terms Of Reference
- ✗ Structure formed by elected members of community(ward committees and councillors), stakeholders, civil organizations, interest groups (ratepayers association)
- ✗ Sector departments represented but most do not attend – IGR issues being addressed through IGR Technical Task Team and Flagship Program
- ✗ Matters discussed on this forum not only IDP related- service delivery and public participation
- ✗ Members of RF already serve in more than one structure
- ✗ Group and organize sectors to ensure integration and co-ordination
- ✗ streamline developmental issues via one Forum

Recommendations for the a new Public Participation Forum are therefore :

- ✗ Formulation of a Forum that will consist of all stakeholders who will look into matters of community participation and service delivery
- ✗ Operate with a formal Terms Of Reference (TOR) for the forum
- ✗ Register representatives in the forum-as per criteria set out in the TOR
- ✗ Ensure that sector departments are involved with a mandate to take of decisions
- ✗ Promotion of report back mechanism to ensure two-way communication

WARD COMMITTEE STRUCTURES

Section 152(1)(e) of the Constitution of the Republic of South Africa, read together with Section 72 (1) and (2) of the Municipal Structures Act (Act 117 of 1998) give a direct mandate to Municipalities to encourage the involvement of communities and community organizations in matters of local government and to establish community participatory systems.

Sections 8 (g and h), 9 (f) and 72 of the Structures Act, authorise Municipalities to establish ward participatory systems as mechanisms to enhance participatory democracy in local government.

Accordingly, 31 ward committees are operational in the Newcastle Municipality. A Ward Committee consists of the relevant Ward Councillor, who automatically assumes chairpersonship of the committee, and ten (10) other members. This composition is in terms of Section 73 (2) (a) and (b) of the Municipal Structures Act, which further states that the other ten (10) members should be elected into the Ward Committee.

All of these wards combined at a municipal wide level shall constitute a Region.

The region shall be divided into three (3) zones, viz;

- (a) Zone A which will have 10 wards.
- (b) Zone B which will have 10 wards.
- (c) Zone C which will have 11 wards.

The Ward Committee system shall be structured according to the following fora:

- (a) Regional Ward Committee Fora,
- (b) Zonal Ward Committee Fora,
- (c) 31 Ward Committees.

A public Participation unit established in the Office of the Municipal Manager and supports the Speaker, is responsible to ensure that the ward committees are functional in line with an approved Ward Committee policy.

IDP PARTICIPATION AND ALIGNMENT

In order to ensure certain minimum quality standards of the Integrated Development Plan (IDP), and a proper coordination between and within spheres of government, the preparation of the Process Plan has been regulated in the Municipal Systems Act (2000). The preparation of a Process Plan (Annex 1), which is in essence the IDP Process set out in writing, requires the adoption by Council no later than the 31st August 2010. This plan includes the following:

- A programme specifying the time frames for the different planning steps;
- Appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities, and other role players in the IDP drafting process;
- An indication of the organisational arrangements for the IDP process;

- Binding plans and planning requirements, i.e. policy and legislation; and
- Mechanisms and procedures for vertical and horizontal alignment
- Focus areas for review

In line with the imminent local government elections and the impact this may have on the approval of the IDP and Budget, the IDP/Budget/PMS Process Plan was accordingly revised in February 2011 in line with guidelines of National Treasury. As a result – certain processes were reviewed and brought forward. Notwithstanding this - every attempt has been to align the IDP and Budget preparation process, and the Performance Management System (PMS) review.

The IDP/budget/PMS linkages are illustrated below :

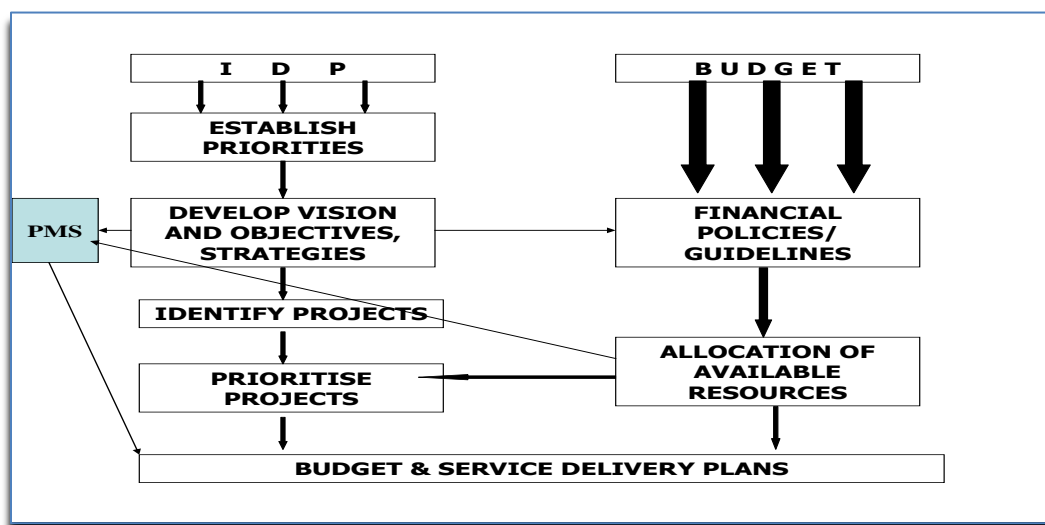


Figure 2 : IDP/BUDGET/PMS Linkages

INTERNAL CO-ORDINATION

THE INTERDEPARTMENTAL CO-ORDINATION COMMITTEE (ICC)

The Inter -departmental Co-ordination Committee (ICC) acts as a support to the Manco, making technical decisions and inputs, to the IDP Process. This ICC, as well as the Public Participation Forum is in the process of being reconstituted as part of this IDP preparation process.

The terms of reference for the ICC are as follows:

- ✗ Plan, co-ordinate and integrate, report and monitor and review activities associated with the IDP, PMS and Budget ;
- ✗ Commission research studies as may be required;
- ✗ Considers and comments on:
 - ✗ Inputs from sub-committee/s, study teams and consultants;
 - ✗ Inputs from provincial sector departments and support providers; and
 - ✗ Input from Ward Committees
 - ✗ Input from Public Participation Forum members.
- ✗ Processes, summarise and document outputs;
- ✗ Makes content and technical recommendations; and
- ✗ Prepare, facilitate and document meetings.

WARD COMMITTEES

The primary objective of the ward committee is to enhance public participation of the community of Newcastle in the programmes of the Municipality.

There are 310 ward committees representing 31 wards. The composition of ward committees takes into cognizance issues of gender, disability groups, civil society, religious groups and any other organized groups within the community.

Due to lack of resources - Community based planning could not be pursued for this review. It is likely that a phased approach will be used in future years.

THE PUBLIC PARTICIPATION FORUM (PPF)

The IDP Public Participation Forum (IDP RF) will be constituted as part of the preparation phase of the IDP and will continue its functions throughout the annual IDP Review processes. The proposed composition of the PPF is as follows:

- ✗ EXCO members;
- ✗ Councillors;
- ✗ Traditional leaders;

- ✗ Ward Committee Chairpersons;
- ✗ Senior Municipal Officials;
- ✗ Stakeholder Public Participations of organised groups;
- ✗ Advocates of unorganised groups;
- ✗ Resource persons;
- ✗ Other community Public Participations;
- ✗ National and Provincial Departments regional Public Participations;
- ✗ NGO's; and
- ✗ Parastatal organisations.

The terms of reference for the PPF is as follows:

- ✗ Represent the interest of the municipality's constituency in the IDP, PMS and Budget process;
- ✗ Provide an organisational mechanism for discussion, negotiation and decision making between the stakeholders inclusive of municipal government;
- ✗ Ensure communication between all the stakeholder Public Participations inclusive of municipal government; and
- ✗ Monitor the performance of the planning and implementation process.

INTERGOVERNMENTAL RELATIONS

THE INTERGOVERNMENTAL RELATIONS (IGR) TECHNICAL TASK TEAM

The objectives of the Intergovernmental Relations technical Task Team consisting of senior managers from all sector departments operating with the Newcastle Municipal boundaries is to primarily engage each other on matters of common interest and make informed decisions relating to development in the Newcastle area of jurisdiction.

This forum is also aimed at sharing information and knowledge between the three spheres of government.

Of relevance of this Task team is the integration and co-ordination efforts to make the Medium Term Expenditure Framework and municipal budget to be in sync with the priorities as identified through the community.

Furthermore – proposals to integrate the Premiers Flagship Programme on the War on Poverty as part of the the IGR technical task team efforts have been made.

BATHO PELE

Batho Pele is facilitated through the Office of the Municipal Manager via the Public Relations officer. The emphasis is on Batho Pele awareness workshops to ensure effective and efficient service delivery.

The post of PRO is vacant since March 2010, but is in the process of being filled.

SPECIAL PROGRAMMES

The Newcastle Local Municipality Special Programmes Framework gives direction regarding the operational guidelines and highlights the strong motive behind the development of the Special Programmes Department, which is placed in the office of the Municipal Manager.

The Special Programmes Department aims to redress previous imbalances, create equal opportunities, and promote accessibility, transparency and accountability of target groups development programmes. It comprises of cross-cutting issues, as far as service delivery is concerned. The design and implementation of these programmes provide are more sustainable environment. Both the political and administrative wings have a critical role to play in the effectiveness of this psychologically tuned mandate.

In 2009 the National Government formed and introduced the Ministry of Women, Youth, Children and Persons with Disability. It was noted that the new Ministry would be the central co-coordinating point for the advancement and protection of the rights of women, youth and persons with disabilities, and the co-ordination of compliance with South Africa's obligations under international instruments.

The **vision** is to achieve "a fully inclusive society free from unfair discrimination, abuse and exploitation". The core strategic objectives were outlined as follows:

- ✗ protection and promotion of human dignity and equality
- ✗ Creating an enabling environment for empowerment and advancement
- ✗ Advocating an inclusive society
- ✗ Preventing and eliminating unfair discrimination against the target groups and oversight and coordination of programmes.

In 2006 the Newcastle Local Municipality Executive Committee took a resolution to give birth to the Special Programmes.

OPERATIONAL PERSPECTIVE

The central function of the *Special Programmes Manager* is to ensure the integration of HIV/AIDS, youth, gender, senior citizens, disability and child rights issues into all of Government's structures, processes, methods and strategies; as follows:

- ✗ **Management, development and implementation** of special programmes (gender, youth, persons with disabilities, children and HIV/Aids).
- ✗ **Strategic Planning** ensure that the cross cutting Special Programmes issues are considered in the Newcastle Municipality's strategic development meetings.
- ✗ **Policy Formulation and Analysis** assists in identifying gaps in policy development and implementation of HIV/AIDS, youth, gender, disability, senior citizens and child rights policy and thus conducting consultation around impact related legislation.
- ✗ **The provision of strategic support** in order to ensure the implementation of fast-track transformation initiatives within Newcastle.
- ✗ The **promotion of Newcastle Municipality's image** and effective maintenance of relations with internal and external stakeholders, thus establishing and maintaining effective consultation strategies.
- ✗ **Mainstreaming** is a central function of the special programmes with the objective of ensuring that the municipality complies.
- ✗ **Co-ordination** of all programmes through regular meetings and focal points at the municipal level i.e. the Newcastle community
- ✗ **Monitoring and evaluation** generates municipal, zonal, and wards reports, which provide progress reports made against benchmarks
- ✗ **Capacity-building** is aimed at strengthening municipal's systems, processes and structures to ensure delivery sensitive to HIV/AIDS, youth, gender, disability, senior citizens and children's rights

- ✗ **Advocacy** in terms of conducting public awareness and education for the promotion of mainstreaming HIV/AIDS, youth, gender, disability, senior citizens and children's rights issues in government programmes; with extensive campaigns associated with national days
- ✗ **Liaison and networking** actively in attending district, provincial, national and international conferences.
- ✗ **Financial management** to ensure that the special programmes are budgeted.
- ✗ **Economic upliftment** ensures that the Newcastle Municipality reflects target groups considerations in the business plans.

The Special Programmes Unit is responsible to oversee the following sub divisions:

SUB DIVISION ON THE STATUS OF GENDER (SSG)

Mandate: To ensure that the Newcastle Local Municipality lives up to its constitutional, political and international commitments by translating these into measurable and meaningful programmes, thereby making a non-sexist society a reality.

Vision: To develop an enabling environment that will guarantee gender equality, thereby empowering women to have equal access to opportunities and resources that will enhance the quality of their lives.

Mission: The SSG was created to establish mechanisms that will advance the Newcastle Local Municipality towards gender equality.

Strategic Objectives:

- ✗ To advance a national policy on gender equality
- ✗ To prioritise key concerns and initiate policy and action-oriented research relevant to gender mainstreaming.
- ✗ To advise and brief the Council on all matters pertaining to the empowerment of women and men.
- ✗ Promote compliance with institutionalized days
- ✗ To liaise between NGOs dealing with women's and gender issues and Council.
- ✗ To liaise between district, provincial, national and international.
- ✗ To work with departments, provinces and all publicly funded bodies in mainstreaming gender in policies, practices and programmes
- ✗ To develop key indicators for measuring the local progression towards gender equality
- ✗ To arrange for training in gender analysis and gender sensitization
- ✗ To act as a catalyst for Affirmative Action with respect to gender equality
- ✗ To initiate and promote cross-sectoral action on cross-cutting issues such as the girl child, violence against women and HIV and Aids
- ✗ To facilitate awareness-raising and confidence-building among women at all levels

- ✗ To provide a co-ordination framework for the effective implementation of the gender programme at the local and ward levels.
- ✗ To consult and liaise with civil society.

A Women's Forum was established in August 2010, with a Men's Forum being subsequently established in September 2010. Both Committees are now functional.

SUB DIVISION ON THE STATUS OF DISABLED PERSONS (SSDP)

The SSDP has, established the interim Disability Forum. The Forum comprises of Persons with Disabilities and the government's focal persons.

Mandate: To ensure that all disability issues including the objectives of the Integrated National Disability Strategy (INDS), provincial and other local initiatives relating to disability are incorporated into all policies and programmes of all spheres of the Newcastle Local Municipality.

This also applies to all line departments within all spheres of Government. The mandate is primarily derived from the Constitution, the political and transformation objectives of Government; namely "creating a better life for all" and the INDS.

Vision: To have an environment that does not disable any human being in what ever way.

Mission: To actively engage persons with Disabilities in all decision making structures. Consequently, they will not experience discrimination.

Strategic objectives:

- ✗ Development and implementation of the Newcastle's policies and programmes, which incorporate and are inclusive of disability issues and disabled persons
- ✗ Increase in number of disabled persons productively engaged in the economy and contributing to municipality.
- ✗ Develop the implementation of monitoring and evaluation systems and processes to include disability-specific indicators and measures relating to improving the lives of disabled persons
- ✗ Capacity-Building:
- ✗ Disability desks/focal points functioning effectively
- ✗ Newcastle Municipality contributes to and delivers on district, provincial, national and international commitments.
- ✗ Stronger co-operative relationship between Government, the private sector and other role-players in the disability sector

- ✗ Increased public awareness on disability issues.

SUB DIVISION ON THE RIGHTS OF THE CHILD (SRC)

Mandate: To ensure that the Newcastle Municipality lives up to its Constitutional, political and international children's rights commitments - by translating these into measurable and meaningful programmes. As a result Newcastle Municipality will be transformed into a society that affords children equal access to protection and development opportunities.

Vision: A child centred approach in Newcastle's governance processes, especially on issues which are directly or indirectly influential to children's well being.

Mission: To engage children on all issues possible.

Strategic objectives:

- ✗ Develop municipal framework for the advancement and coordination of children's rights delivery
- ✗ Mainstream a child-centred approach to policy, planning, programming, communication and funding process in the Newcastle Municipality.
- ✗ Facilitate mainstreaming capacity building for children's rights focal points in the Newcastle Municipality
- ✗ Advocate for children's rights delivery in the municipality.
- ✗ Coordinate integrated children's rights policy implementation in government.

SUB DIVISION ON THE OFFICE OF YOUTH (SOY)

In 2009 the Newcastle Youth Council was formed, and represents people between 14 and 35 years. The structure was formed through five zones: Osizweni, Madadeni, Blaaubosh, Newcastle inner city and Charlestown. The Newcastle Youth Executive Committee consists of 13 members. The following documents were prepared: Newcastle Youth Council Constitution and the Newcastle Youth Council Finance policy

Mandate: To achieve integrated and mainstreamed youth development in all organs of the Newcastle Municipality, private sector and civil society, for sustainable livelihoods.

Vision: strategically empowered youth, who are able to make informed decisions.

Mission: To initiate, facilitate, implement, coordinate and monitor youth development interventions aimed at reducing youth instability (unemployment, confusion,) and promoting social cohesion.

Strategic Objectives

- ✗ Facilitate mainstreaming of youth development within the Newcastle Municipality.
- ✗ Co-ordinate integration of youth into all stakeholders' programs
- ✗ Formalise, monitor and evaluate the Youth Policy
- ✗ Facilitate and monitoring of youth targeted programs within the municipality
- ✗ Provide support and advice to the Directorates within the department and thereby ensuring that issue affecting youth are addressed within the core and transversal functions of the department
- ✗ Guide efforts and facilitate economic participation and empowerment, and achievement of education and training.
- ✗ To partner with the municipal departments, the private sector and non-governmental organisations and community based organisations.
- ✗ To initiate programmes directed at poverty alleviation, urban and rural development and the combating of crime, substance abuse and social decay amongst youth.
- ✗ To develop annual priority programmes for youth development would be developed.
- ✗ To promote a uniform approach by all bodies, public and private, relating to youth development.

A Youth Strategic Plan was developed in July 2010 and implementation thereof is in progress.

SUB DIVISION ON THE STATUS OF HIV/AIDS (SS-HIV/AIDS)

In 2003 the Newcastle Municipality developed an HIV/AIDS Strategy and was incorporated in the 2004/2005 IDP review. This gave rise to the Local AIDS Council in 2005.

In 2007, the Newcastle Municipality was number one in the KwaZulu Natal HIV/AIDS prevalence list. This posed a huge threat and the Newcastle Municipality had to speed change. It was in that struggle that the HIV/AIDS summit was held which was followed by the establishment of the four strategic pillars: Orphans and Vulnerable Children, Prevention; Care and Support for people living with HIV/AIDS, Research and Monitoring. All these pillars are headed by the relevant government departments, except the Research and Monitoring which is lead by the research organization.

Mandate: To eradicate HIV/AIDS and cater strategically for the directly infected and affected.

Vision: A free HIV/AIDS Newcastle

Mission: To equip the Newcastle community with proper skills, knowledge and attitudes to deal with HIV/AIDS, consequently, reducing the rate of HIV/AIDS infections and enhancing the economy.

Strategic Objectives:

- ✗ Coordinating the Local Aids Council
- ✗ Organize HIV/AIDS related workshops.
- ✗ Organize and implement programmes relating to People Living with HIV/AIDS.
- ✗ Comply with the national event dates.
- ✗ To coordinate and administer HIV/AIDS programmes.
- ✗ Ensure sustainable livelihood of HIV/AIDS programmes.
- ✗ Conduct community needs assessment
- ✗ Identify priority HIV/AIDS projects
- ✗ Ensure conduction of research on the HIV/AIDS
- ✗ Establish and maintain strategic partnership
- ✗ Develop community participation programmes
- ✗ Conduct or coordinate capacity building programmes for the staff and the public.

SUB DIVISION ON THE STATUS OF SENIOR CITIZENS (SSSC)

Older persons are a target group in the community as a result of a lifetime of hardship, high susceptibility to chronic diseases and the ageing process itself. Some are dependent on cares for survival. This programme is grounded within a Human Rights Framework. Older Persons have the right to self-determination and fulfillment, dignity and respect, personal security

Mandate: To ensure that senior citizen do not feel discriminated in Newcastle.

Vision: To environment that is sensitive to the needs of senior citizens.

Mission: To engage the senior citizen in decision making structures, thus addressing their needs.

Strategic Objectives:

- ✗ Maintain and protect the rights of older persons
- ✗ Shift the emphasis from institutional care to community – based care and support in order to ensure that an older person remains in his or her home within the community for as long as possible.

- ✗ Facilitate the registration, establishment and management of community – based care and support services as well as the establishment and management of residential facilities.
- ✗ Regulate and coordinate the prevention and combating of the abuse of older persons.
- ✗ To address Community based care programmes, establishment of Service Centres is promoted to address the following problems:
 - Poor health
 - Elder abuse and violation of human rights.
 - Underdevelopment
 - Lack of skills to manage HIV and AIDS infected next of kin
 - Loneliness.
 - Moral degeneration.
 - Utilization of old age grant as a source of income for the family
 - Lack of access to services
 - The changing role of elder persons
 - The money lenders(loan sharks) challenge

EMBEDDED SERVICES

It is highly imperative to note that due to the cross-cutting nature of Special Programmes, some services automatically falls in. These services are Citizens Consultation and Intersectoral Affairs.

Citizens Consultation

In 2009 South Africa experienced a number of service delivery protest. One might argue that this is due to the fact that the tax payers are not engage adequately in issues of importance. The structures to be established and maintained by the Special Programmes Division will act as a bridge between the community and the Newcastle Municipality.

Communication must never be a one-way rather a two-way to encourage active engagement. As a result this will eliminate negative attitudes towards the Newcastle Municipality or the community. Through these structures, the community will be making their own plans-hands on approach.

Contextual Strategic Objectives:

- ✗ To develop and implement practical communication mechanisms that responded to the interests and aspirations of the target group
- ✗ To develop and maintain efficient knowledge systems.

Intersectoral Affairs

Fundamental recognition must be given to the Special Programmes' relationships to other Government departments, and other organs of civil society including private sector (partnership model). It is not possible to implement these programmes without engaging these stakeholders. The Special Programmes' development and service delivery agenda calls for an intersectoral collaboration. This would entail sequencing and phasing in of various programmes, taking into account availability of resources and creative ways of involving development finance, private sector and civil society. Priority would be given to transforming societal values and institutions, in line with the constitutional vision of equality, non-sexism, human rights, and social justice.

It would be an idiotic action not to declare the significance of the political willingness. The onus is on the political wing to support the Special Programmes Mandate. This kind of support is one of the majestic weapons in service delivery. The Newcastle Local Council has an obligation to ensure that this mandate is carried and implemented effectively. Failure to embark on this service deliverance catalyst will cause havoc.

Contextual strategic objectives:

- ✗ To mobilise, strengthen and support relations with household, ward, local, district, provincial and international partners at all levels.
- ✗ To ensure that government structures did address issues of the targeted groups, including providing adequate resources.
- ✗ To strengthen, broaden and enforce legislative mechanisms and district, Provincial, National and international instruments.
- ✗ The Department would also provide the Executive with high quality strategic support, ensure compliance with legislation, and undertake research and design and implement appropriate programmes.

2010-2011 YEAR PLAN

MONTH	ACTIVITY
January	Career exhibition

	Youth Exco-meetings
February	Special Programmes workplace departmental sessions Youth Public Meetings
March	LAC Children's swimming competition Municipal Disability structure Human rights day
April	HIV/AIDS Awareness:..... Mens' Forum establishment
May	Child Protection Week Municipal Senior Citezen structure establishment
June	Youth Day celebration LAC 25
July	HIV/AIDS Workplace road shows HIV/AIDS Workshop for councillors Workshops for Senior Citezen (19, 20, 21 and 22)
August	Civil Society workshops on financial management Children's Forum establishment Womens' day commemoration
September	Senior Citizen's Summit

	Gender workshop LAC (17)
October	Children in conflict with the law (sessions) Youth and entrepreneurship workshops HIV/AIDS Awareness:
November	Disability day 16 Days of Activism against women and children LAC 19
December	HIV/AIDS Worlds Day (02)
January	Career exhibition
February	Workshops on Disability LAC
March	Disability Forum
April	HIV/AIDS Awareness:.....
May	Children in conflict with the law Amadoda: role by men in raising children
June	Youth Day celebration

The following Special Program policies and proposed strategies are in place :

- HIV/AIDS Policy and Mainstreaming strategy
- Disability Policy (Draft)
- Senior Citizens Report
- Youth Report

The Special Programmes Unit also facilitates and represents the Newcastle Municipality at the Premiers' Flagship Programme – WAR ON POVERTY

WAR ON POVERTY (FLAGSHIP PROGRAM)

This is a key IGR intervention to allow for intergovernmental co-ordination and integration.

The KwaZulu-Natal Provincial Index of Multiple Deprivation consist of five domains within each PIMD, and their interpretation is described below:

- ✗ Income and Material Deprivation
- ✗ Education Deprivation
- ✗ Living Environment Deprivation
- ✗ Employment Deprivation
- ✗ Health Deprivation
- ✗ The Overall PIMD Score

Amajuba District does not have the most deprived wards hence the focus for Newcastle will only start in Wards 6, 12 & 15 which mainly focuses on moderately deprived wards. For the purposes of this programme, all wards will be targeted starting in year 2009/2010 with the service packages of services differing between the two levels of categorized wards.

It must be noted that the less intense package of services that will be received in the last two categories will be intensified over the MTEF period. The least deprived wards in Amajuba have pockets of poverty within the wards which requires comprehensive services.

The Department of Health have been Identified as the facilitating/champions for the Amajuba District. The program will involve a profiling exercise and then targeted services based on the outcomes of the profiling exercise.

A Flagship team that meets alternative Fridays is established, with meetings being attended by the MEC for Health and chaired by the District Health Manager. Representatives from all government departments and the Local Municipality attends these meetings, and work in the War rooms to ensure quality control of the profiling exercise and co-ordination of efforts in respect of the interventions.

Based on the Ward Profiling process to date and other programmes , the interventions in progress include amongst others :

- ✗ Appointment and Training of additional cadres
- ✗ Distribution of trees
- ✗ Follow up on earth boxes
- ✗ Foster cases
- ✗ food parcels distributed
- ✗ HIV/Aids Awareness for HIV positive street children
- ✗ HCT
- ✗ TB Screening
- ✗ Luncheon clubs and food parcels to elderly
- ✗ Households assessed and foodparcels distributed
- ✗ Provision of tents and blankets, food and soup kitchens
- ✗ Temporary shelter at Fairleigh
- ✗ Mobilisation of Amakhosi and Izinduna in Mechanisation Programme
- ✗ Engagements on Charlestown and Thutukani hydroponic projects
- ✗ Monitoring of Mandlesizwe and Hlomelikusasa garden projects and Ndazele layer project
- ✗ One home one garden projects in Osizweni, Dicks, Mndozo and Madadeni
- ✗ School garden projects (10
- ✗ Amajuba Rainbow Show
- ✗ National Population registration campaign
- ✗ Sports and recreation

RISK MANAGEMENT

The risk management unit was previously under the Internal Audit Unit and there was a risk manager reporting directly to the Audit Manager.

In February 2011 the Municipal Manager seconded the Senior Internal Auditor to Act as a Risk Manager reporting directly to him. At the time when the Acting Risk Manager started, there was no policy, strategy or plan except for the operational risk assessment report.

The assessment of strategic business risks, strategic IT risks, Fraud risks were not performed in our municipality.

In summary, there was no activity relating to risk management and risk management was more of an event than a continuous process. The operational risk assessment was only conducted for the purposes of developing a risk-based internal audit plan.

In February 2011

The risk management implementation plan for 2010/2011 financial year ending on 30 June 2011 was developed by the Acting Risk Manager and it was approved by the Municipal Manager for implementation. In implementing the plan, the following documents were developed:

1. Risk Management policy.
2. Risk Management policy statement.
3. Risk Management strategy.

The process risk assessment on document management was conducted. However, the project was abandoned because the CFO acquired a module on document management system which will assist the municipality with the document management processes and will deal mainly with payment documents and contract documents.

The draft documents were presented to MANCO, inputs from management were received, incorporated and the documents were recommended to EXCO.

The following was performed during the latter part of the financial year:

- ✓ The Risk Management Unit (RMU) developed the risk management plan.
- ✓ Drafting of the risk management policy, policy statement and risk management strategy.
- ✓ The anti-corruption strategy and fraud prevention plan was developed by DPLG now known as Cogta in 2007 and the same document was submitted to EXCO and Council for approval and adoption.
- ✓ Risk management is a standing item on all MANCO meetings.
- ✓ The workshop on all risk management policies and strategies were deferred to new Council.
- ✓ All risk management approved policies and plans are on the municipal website.

- ✓ A risk committee consisting of senior management was established and the Municipal Manager is the chairperson of the committee.
- ✓ A risk committee charter which states the purpose, responsibility and authority of the risk committee was developed.
- ✓ The operational risk assessment workshop was conducted on 5 and 6 May 2011 and a final report was issued. Our risk register will be updated in detail in December 2011 by conducting another detailed operational risk assessment workshop.
- ✓ Strategic risk assessment was not conducted because the Municipal Manager suggested that the strategic risks be identified when the new council is in office since it is best to involve councillors in the identification of strategic risks.
- ✓ The IT strategic risk assessment workshop was conducted on 22 June and a final report being issued in July 2011. The IT strategy was still in draft at the time of the workshop therefore the AG report and ITGC framework were used as a basis of the identification of IT risks.
- ✓ The risk management monitoring report to monitor the implementation of action plans on the risk registers has been developed. This report will be presented to the risk committee on a quarterly basis and to the Municipal Manager and MANCO on a monthly basis.

ANTI-CORRUPTION AND FRAUD

A draft Anti-fraud and Corruption policy was drafted and workshopped. It addresses the duty of the council to ensure stewardship of public money very seriously. The Council is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption whether these are attempted from within or external to the organization.

The Anti-fraud and Corruption policy consists of a series of procedures designed to deter any attempted fraudulent or corrupt act:-

- Culture
- Prevention
- Detection and investigation
- Training

DEMOGRAPHICS

POPULATION DYNAMICS

The following comparisons have been made in respect of the population trends for Newcastle since 2001 :

Statistic Source	Estimated Population
Census 2001)Stats SA	332981
Community Survey 2007	327637
Global Insight 2008	364244
Global Insight 2009	366,671
¹ Projected 2010	539228

The total population for Newcastle in 2010 is estimated at 539228, projected from the 2001 stats at an average annual growth rate of 3.5% compared to the provincial year on year growth of 2,8% as at December 2009. This is also higher than the estimated population as per Community Survey 2007 results which indicates a decline in population growth. Newcastle has experienced an influx of people in the past few years and this is evident in the increase in the informal settlement population, as well as an increase in the number of residential buildings (includes town houses) occupied.

The 2010 projections are also within the growth trends as determined in the WSDP Review 2010.

HOUSEHOLD SIZE

¹ Projected from Census 2001 at 3.5% average growth factor p.a

The ²average household size of households living within the Municipal Area is as follows:-

✗ Urban	-	5
✗ Rural	-	7

The Population concentration are primarily within the rural wards 1;6;31;18;15;& 14 which is consistent with the wards that have been categorized through the PIMD(**KwaZulu-Natal Provincial Index of Multiple Deprivation**) -and the Flagship Program in the Office of the Premier - as being deprived wards. The Phase 1 of the Flagship program will be targeting ward 12, 15 & 16.

The total number of households in Newcastle is estimated at 97804.

POWERS AND FUNCTIONS

The following Local Government Powers and Functions as authorised to Newcastle Municipality were separated into core and non-core functions.

Core Functions	
Schedule 4 Part B	RESPONSIBLE DEPARTMENT
Storm-water Management systems in Built up areas	Civil Services
Water and Sanitation Services	Civil Services
Municipal Public Works	Civil Services
Fire Fighting Services	Community Services
Air Pollution	Community Services
Child Care facilities	Community Services
Municipal Airports	Community Services
Municipal Health Services	Community Services

² Community Based Plan Pilot project Ward 15

Core Functions	
Schedule 4 Part B	RESPONSIBLE DEPARTMENT
Municipal Public Transport	Community Services
Building Regulations	Development Planning and Human Settlements
Municipal Planning	Development Planning and Human Settlements
Trading Regulations	Development Planning and Human Settlements
Local Tourism	Development Planning and Human Settlements
Electricity and Gas Reticulation	Electrical Services
Pontoons, ferries, jetties etc	N/a

Non-Core Functions	
Schedule 5 Part B	RESPONSIBLE DEPARTMENT
Municipal Roads	Civil Services
Control of undertakings that sell liquor to the public	Community Services
Facilities for the accommodation, care and burial of animals	Community Services
Licensing of dogs	Community Services
Licensing and control of undertakings that sell food to the public	Community Services
Noise Pollution	Community Services
Pounds	Community Services
Public Places	Community Services
Control of public nuisances	Community Services
Local Sports facilities	Community Services

Non-Core Functions	
Schedule 5 Part B	RESPONSIBLE DEPARTMENT
Municipal parks and recreation	Community Services
Cemeteries	Community Services
Cleansing	Community Services
Refuse Removal, refuse dumps and solid waste disposal	Community Services
Traffic and parking	Community Services
Billboards and the display of advertisements in public places	Development Planning and Human Settlements
Fencing and fences	Development Planning and Human Settlements
Markets	Development Planning and Human Settlements
Street Trading	Development Planning and Human Settlements
Street lighting	Electrical Services
Beaches and Amusement Facilities	N/A
Municipal Abattoirs	N/A
Funeral parlours and crematoria	N/A

SOCIO-ECONOMIC ANALYSIS

HOUSEHOLD INCOME

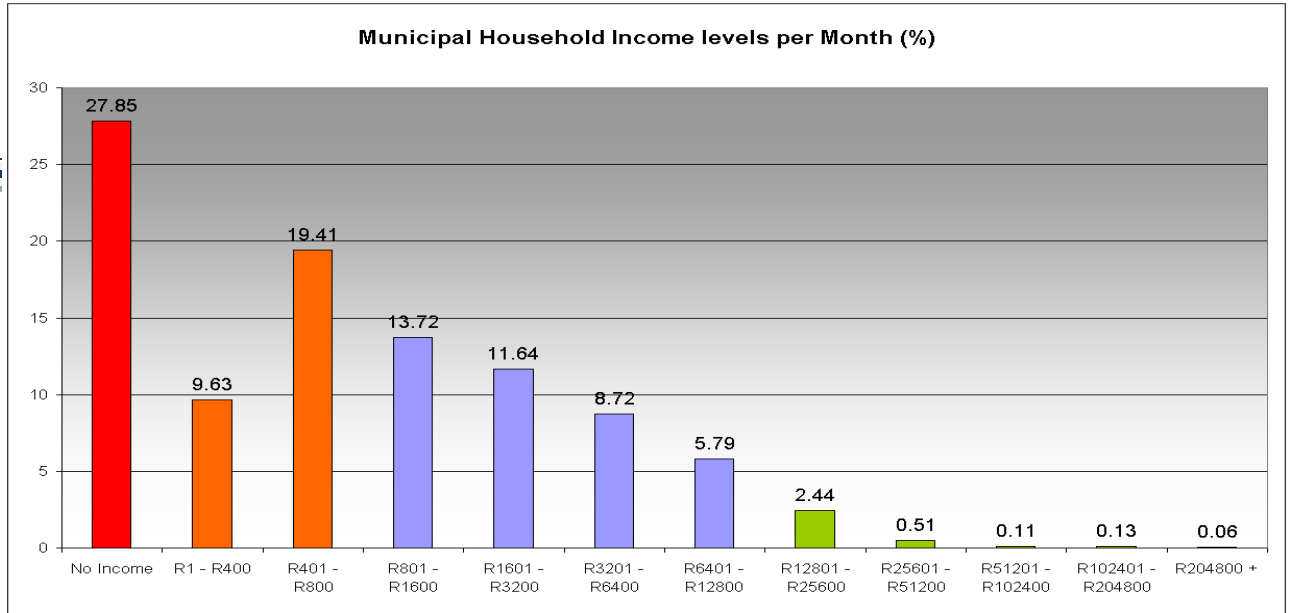
Statistics indicates that approximately 56% of the households in Newcastle earn less than R800 per month. It is therefore clear that the annual individual income in Newcastle is very low. Low income levels are indicative of low affordability levels for basic services, housing and health services.

The implications of little disposable income, coupled with low skill levels, include high dependency rates and the need for social and economic support for the very poor. The low levels of income of more than half of the Newcastle population therefore calls for strategic economic development and poverty alleviation interventions.

Most of the poverty-stricken households of Newcastle are located in the East as well as the Traditional Authority areas. The urbanized population is generally better off than the rural community where communities will more than likely not be able to afford housing and other services. The provision of sustainable basic and essential services to these communities is to be one of the greatest challenges of the Newcastle Municipality and innovative service delivery options is encouraged.

From the graph below :-

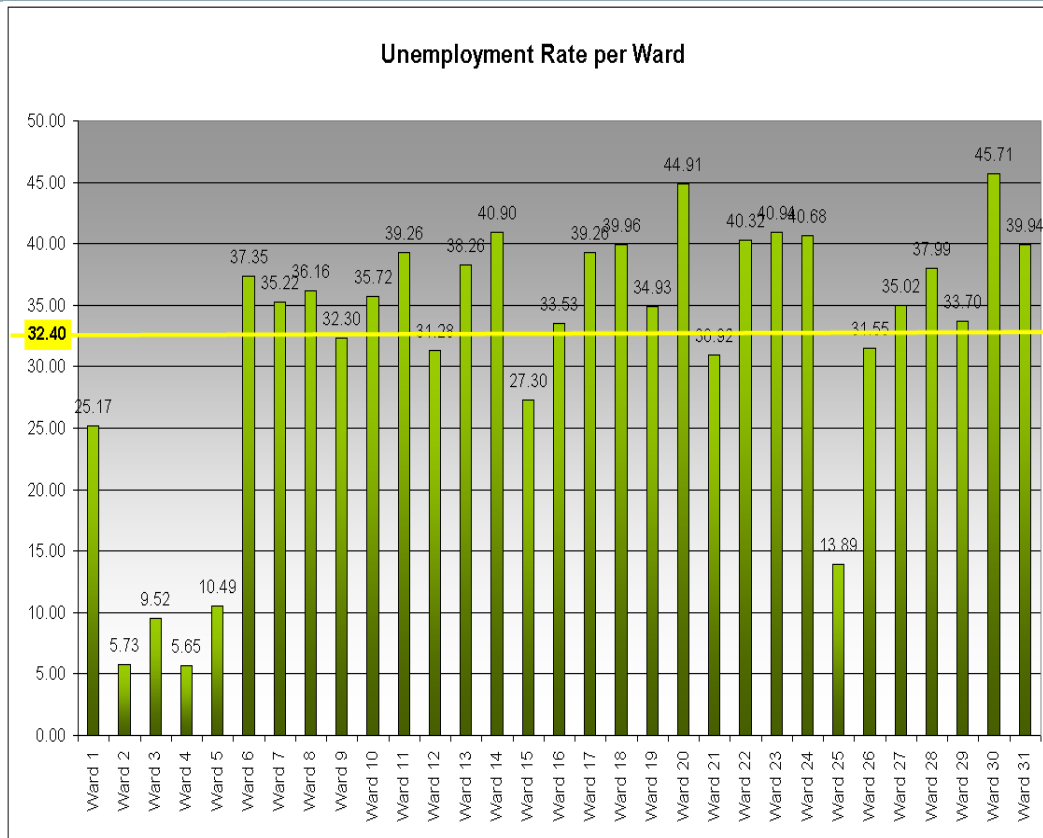
- ✗ 27.85% of households reported no income and are viewed as dependents to other earners.
- ✗ Relative high percentage of Households (19% earn less than R800 per month.
- ✗ There is a small, but noticeable portion of households earning in the upper income bracket.
- ✗ Low affordability levels for services
- ✗ More than 54% on indigent register
- ✗ Dependency rate is high
- ✗ Dependency on social grants etc. high
- ✗ Need to stimulate economy through LED interventions
- ✗ Reliance on poverty alleviation programs



UNEMPLOYMENT

The average Municipal unemployment rate is estimated at 31.40 %. – however this could be higher due to closure of factories etc. The LED unit indicate due to these factors the unemployment rate could be approximately 56% .

Figure 3 : Household income



From the above graph :

- ✓ Some wards (2, 3, 4, 5 and 25) show relatively low unemployment rates below 15%
- ✓ 65% of the wards have an unemployment rate above the average and particularly Wards 20 and 30 have notably high unemployment rates.

INDIGENT STATUS

The low levels of income and the high unemployment rate of 56% as stated above are re-affirmed by the increasing number of Indigent applications being received by the Municipality which is highlighted further in this report.

ECONOMIC INDICATORS

The following diagram indicates the GDP performance of Newcastle from Quarter 1 in 2003 to Quarter 2 in 2009. This diagram illustrates the impacts of the 'Global Economic Crisis' and shows how GDP reached its lowest point in the first quarter of 2009. Although there was a mild

recovery in the second quarter of 2009, this has been replaced by a decline for the third and fourth quarters of 2009.

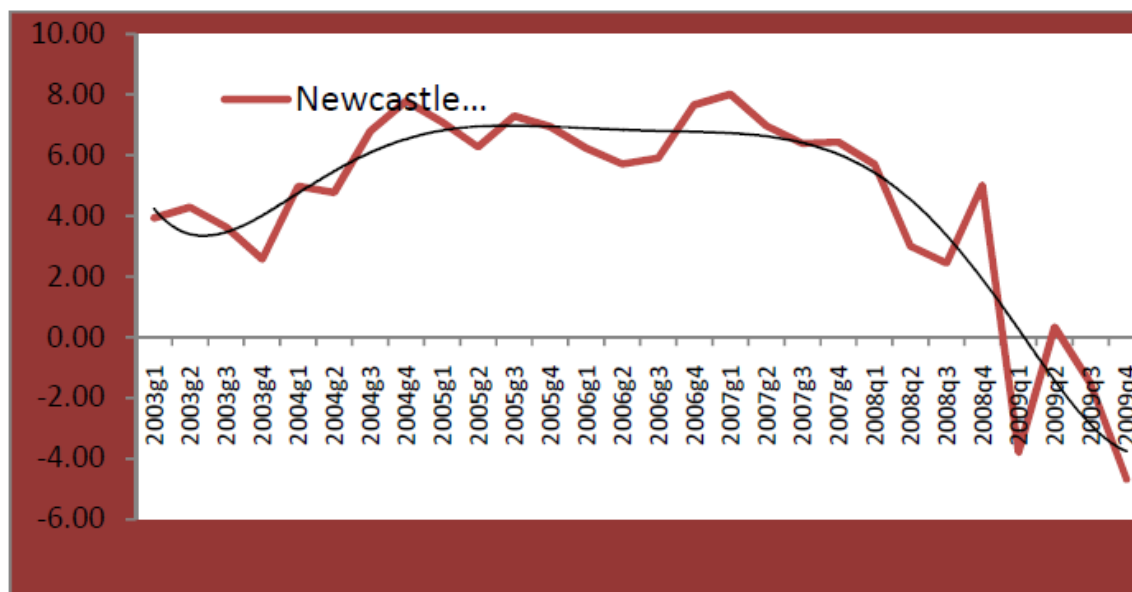


Figure 4 Newcastle GDP 2003-2009

Interestingly this steady decline in GDP is consistent with the secondary economic nodes of PMB and Port Shepstone in the Province, whilst the opposite has occurred with the Port cities of Durban and Richards Bay. This needs to be further interrogated to determine if strategies through the PSEDs are in fact benefitting the non port nodes in the Province.

SERVICE DELIVERY OVERVIEW

WHAT ARE THE ISSUES THAT WE FACE?

The top priority occurrence identified through ward consultation are summarised below-

The above table indicates that 22 wards out of 31 have prioritised Roads and stormwater and

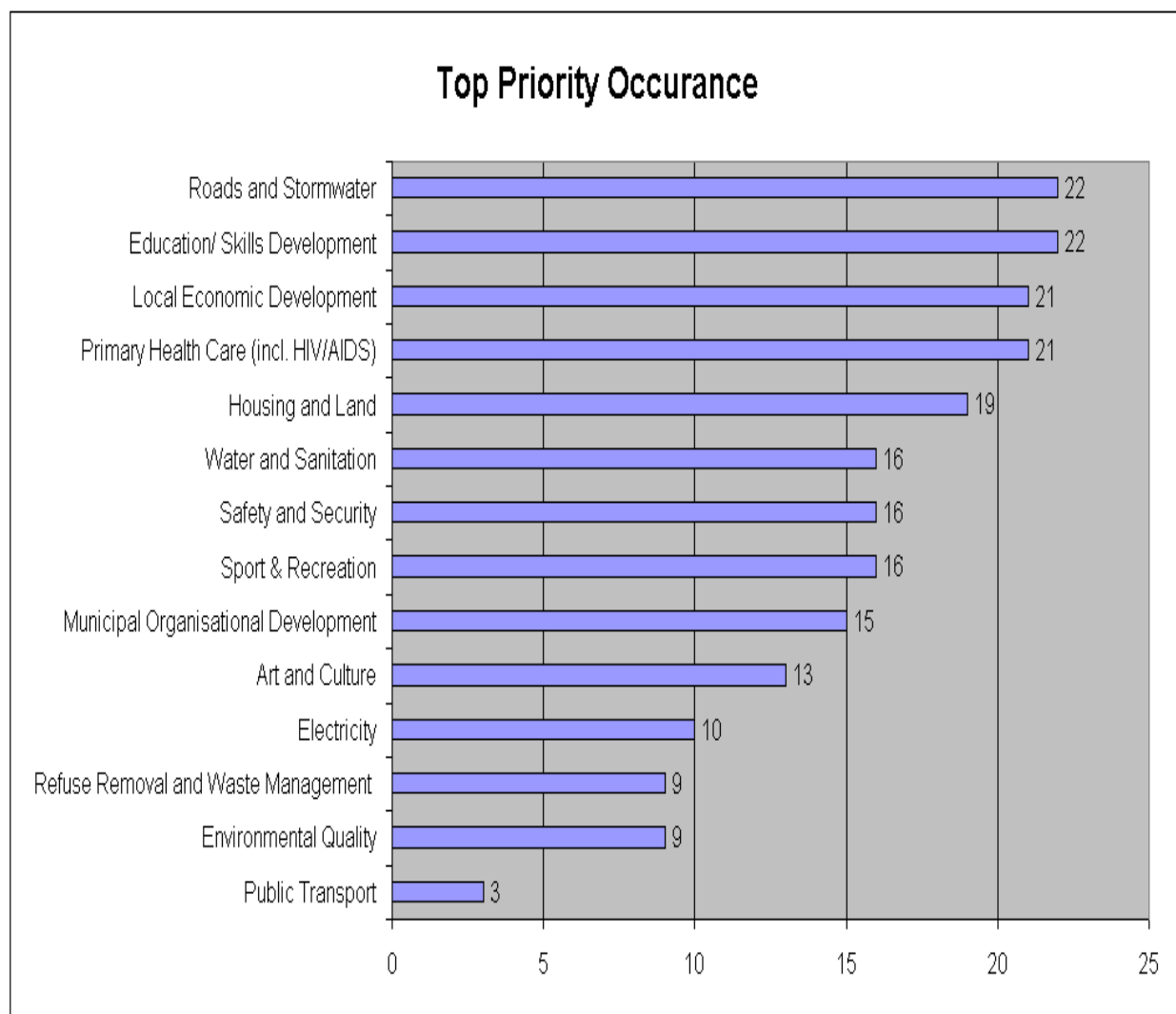


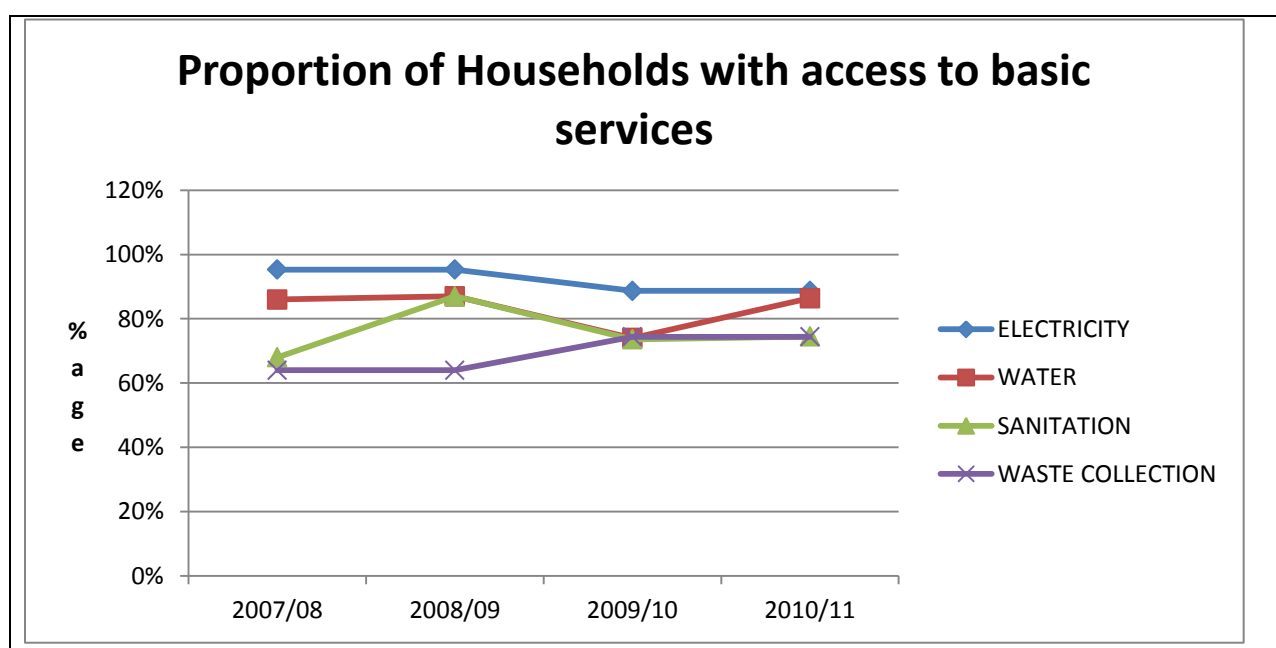
Figure 5: Top Priority Occurance by Wards

Education/skills develop as top priorities, following by LED and Primary Health and so on.

A review of this was not carried out in the year under review as this trend has followed through for the past 5 years. Furthermore, ward committees were re-established in 2009 and consultation at this level was pending induction and training.

The Community Survey 2007 results have not been used for basic service delivery backlogs due to discrepancies and anomalies identified which is highlighted further in the Report. Engagements with StatSa have commenced to obtain consensus in the methodology used for the purpose of projections against the statistics.

BASIC SERVICE BACKLOGS



Over and above the basic service delivery challenges, the following challenges clustered in line with the five key performance areas for local government are identified to be addressed as part of the Integrated development Planning process :

Housing backlogs have been estimated at 23%, with a waiting list application process of approximately 33000 applicants to be included on the database. Whilst the rate of housing delivery is very slow, the fast tracking of housing delivery is identified as a key intervention area with various housing projects already being approved for implementation. Further detail is included in Volume 2 of this report.

KEY ISSUES AND CHALLENGES

Other key issues and challenges identified at a strategies level for intervention is highlighted below and clustered by local government key performance area :-

NATIONAL KPA	ISSUE/CHALLENGE
FINANCIAL VIABILITY	Supply Chain Management
	Financial Management System
	Debt Management
	Capital Expenditure
	Cash flow Management
	Asset Management
	Revenue Enhancement
	Contract Management
ECONOMIC DEVELOPMENT	Sector Plan
	Policies
	Attraction and Retention of business/industry
	Poverty Alleviation
	Integration and Co-ordination
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Law Enforcement
	Intergovernmental Relations
	Protocol
	Public Participation
	Public Relations
	Performance Management
	Risk Management
	Delegations
	Qualified Audit Report
	Non-compliance

NATIONAL KPA	ISSUE/CHALLENGE
	Internal Controls
	Corporate Image
	Outdated Bylaws and Policies
BASIC SERVICE DELIVERY	Ageing Infrastructure
	Backlog Eradication
	Project Management
	Sector Plans
	Infrastructure Development
	Funding
	Ageing Fleet
	Housing
INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Skills Audit
	Organisational Restructuring
	Record management
	Recruitment and Selection
	Organisational Culture
	Employment Equity
	Information and Communication Technology
	Integration and Co-ordination
	Skills Development and Retention of skills

NEWCASTLE TURNAROUND STRATEGY

In line with the Local Government Turn around strategies (LGTAS), (submitted to Cabinet in February 2010 and launched in Kwazulu-Natal in March 2010), to address the development challenges identified for local government, the Newcastle Municipality identified its TOP TEN Turn Around Strategies as follows :-

1. Service Delivery (Maintenance existing levels , Rehabilitation of infrastructure and backlogs)
2. Fast Track Sustainable Human Settlements through Housing and Rural Development Program
3. Finalize Consolidated Infrastructure Plan and Capital program implementation
4. Debt Management – increase payment factor
5. Finalization of Micro Structure, Filling of critical posts & Compliance Minimum Competency levels and training of Councilors by 2012
6. Clean Audit by 2014
7. Effective functioning of municipal SCOPA
8. Effective and functioning ward committees
9. Anti- Corruption and Fraud Prevention program
10. Halving poverty and unemployment by 2014

CHAPTER 3

ANNUAL FINANCIAL STATEMENTS 2010/11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NEWCASTLE LOCAL MUNICIPALITY			
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
as at 30 June 2011			
	Note	2011	2010 Restated
ASSETS			
Current assets			
Cash and cash equivalents (2010 Restated)	1	381,792,757	105,023
Consumer Debtors	2	79,841,843	127,229,558
Call investment deposits	1	-	437,582,146
Other Debtors	3	89,467,351	8,662,397
Inventories	4	5,977,810	6,305,437
Current portion of receivables	5	27,390,265	30,157,455
VAT receivable	12	16,822,449	9,685,711
Non-current assets held for sale	34	-	34,323,560
Non-current assets			
Non-current receivables	5	2,130,433	13,681,749
Investments in Associate	53	980,845,685	966,767,478
Property, plant and equipment	7	1,332,744,378	1,353,159,120
Intangible assets	8	700,516	325,370
Investment property carried at fair value	9	176,607,900	131,327,900
Total assets		3,094,321,388	3,119,312,904
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	10	66,883,469	99,021,803
Consumer deposits	11	9,983,442	10,038,525
Current provisions	16	5,322,830	2,324,546
Bank overdraft	1	-	15,566,648
Unspent conditional grants and receipts	13	29,512,126	49,778,808
Current portion of borrowings	14	9,219,495	6,689,518
Non-current liabilities			
Non-current borrowings	14	48,517,986	78,267,121
Non-current provisions for Landfill site	16	50,765,425	50,765,425
Defined benefit plan obligations	16	68,960,000	53,301,147
Total liabilities		289,164,773	365,753,541
Net assets		2,805,156,614	2,753,559,360
NET ASSETS			
Housing Development Fund		23,853,127	21,564,085
Investment in Associate		980,845,685	966,767,478
Self Insurance Reserve		6,403,575	-
Accumulated surplus / (deficit)		1,800,219,271	1,765,227,798
Total net assets		2,805,156,614	2,753,559,360

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

NEWCASTLE LOCAL MUNICIPALITY			
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE			
for the year ending 30 June 2011			
	Note	2011	2010
Revenue			
Property rates	17	152,386,672	124,665,831
Service charges	18	654,081,893	526,952,279
Rental of facilities and equipment	19	2,652,371	3,505,902
Interest earned - external investments	20	25,090,778	26,710,377
Interest earned - outstanding receivables	21	-	1,426
Fines		2,871,966	2,970,145
Licences and permits		-	250,628
Government grants and subsidies	22	324,241,492	232,855,908
Reversal of impairment on Investment: Uthukela Water (Pty) Ltd		-	363,801,328
Other income	23	5,068,015	1,453,254
Revaluation adjustment: Investment Properties	9	11,041,000	6,503,174
Fair Value Adjustments	33	5,072,475	-
Total revenue		1,182,506,661	1,289,670,252
Expenses			
Employee related costs	24	189,471,534	165,846,425
Remuneration of councillors	25	14,785,603	17,981,595
Bad debts		174,136,888	69,147,301
Collection costs		10,140,072	7,540,473
Depreciation, impairment and amortisation expense	26	222,122,758	224,589,958
Impairment of Roads Infrastructure		2,397,065	
Repairs and maintenance		75,463,544	52,179,789
Finance costs	27	5,866,998	6,586,515
Bulk purchases	28	283,223,432	219,348,022
Contracted services	29	12,229,229	7,888,208
Water Services (UTW)	30	104,087,133	-
Grants and subsidies paid	31	104,889,018	79,695,683
General expenses	32	123,348,091	66,686,386
Fair Value Adjustments	33	5,507,248	-
Total expenses		1,327,668,613	917,490,355
Share of surplus / (deficit) accounted for under equity method	53	(90,008,926)	(75,043,131)
Surplus / (deficit) for the period		-235,170,878	297,136,766

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

NEWCASTLE LOCAL MUNICIPALITY CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS as at 30 June 2011				
	Housing Development Fund	Self Insurance Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
Note				
Balance as at 30 June 2010	21,336,124	-	1,815,975,421	1,837,311,545
Adjustment for Uthukela Water First time consolidation	53		583,162,781	583,162,781
Transfer to Housing Development Fund	227,961	-	(227,961)	-
Transfer to Accumulated Surplus	-	-	35,948,269	35,948,269
Surplus / (deficit) for the period	-	-	297,136,766	297,136,766
Balance as at 30 June 2010	21,564,085	-	2,731,995,276	2,753,559,361
Adjustment to Uthukela Water - Agency fees	38		(198,933,633)	(198,933,633)
Reversal of Accumulated Depreciation on Heritage Assets	38		543,838	543,838
Restated Accumulated Surplus	21,564,085	-	2,533,605,481	2,754,103,199
Transfer to Housing Development Fund	2,289,042	-		2,289,042
Share of losses in associates	53		(90,008,926)	(90,008,926)
Transfer to Self Insurance Reserve	-	6,403,575		6,403,575
Prior year adjustment	38	-	22,579,706	22,579,706
Correction of prior period error	38	-	460,050,686	460,050,686
Surplus / (deficit) for the period	-	-	(145,161,952)	(145,161,952)
Balance as at 30 June 2011	23,853,127	6,403,575	2,781,064,956	2,811,321,659

CONSOLIDATED CASH FLOW STATEMENT

NEWCASTLE LOCAL MUNICIPALITY CONSOLIDATED CASH FLOW STATEMENT			
as at 30 June 2011			
	Note	2011	2010 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipt from Ratepayers, Government and Other Payments		1,793,861,337	1,210,385,406.00
		1,158,818,844	(712,308,284)
Net cash flows from operating activities	35	635,042,493	498,077,122
Interest Received		25,090,778	26,711,803
Interest Paid		(5,866,998)	(11,835,915)
Net Cash from Operating Activities		654,266,273	512,953,010
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(203,851,824)	(98,194,344)
Purchase of Investment Property			(2,567,964)
Proceeds from disposal of Investment Property			13,610,211
Decrease / (increase) in Non-Current Receivables		(17,292,102)	(18,660,494)
Increase in Non-Current Investments		(507,964,204)	
Net cash flows from investing activities		(729,108,130)	(105,812,591)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-Term Loans raised		34,569,176	6,788,901
Increase / (decrease) in Consumer Deposits		(55,083)	(279,574)
Net cash flows from financing activities		34,514,093	6,509,327
Net increase / (decrease) in net cash and cash equivalents		(40,327,764)	413,649,746
Net cash and cash equivalents at beginning of period		422,120,521	8,470,775
Net cash and cash equivalents at end of period	36	381,792,757	422,120,521

CONSOLIDATED ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The summary of significant accounting policies and other explanatory information (Consolidated Accounting Policies, Notes, Appendices and additional information) to the Annual Financial Statements are detailed in Appendix 1 [CONSOLIDATED FINAL AFS NEWCASTLE LOCAL MUNICIPALITY](#)

FINANCIAL OVERVIEW

The revenue base of the Municipality has increased from R689 944 245 in 2008 to R1 182 506 661 in the financial year ended 30 June 2011. This represents phenomenal growth ranging from 23% in 2009 to 52% in 2010 and a slight decline of 8% in 2011. The last two year's increases were significantly higher than the inflation rates which is indicative of good performance by the Municipality, although there was slight decline of negative ten percent, which was caused by the reversal of impairment of investment in Uthukela Water of R363 801 328.00, in 2010 which was a mere book entry and thus not indicative of revenue actually earned. All major revenue streams showed a sharp increase of 28% in 2011 if we ignore the effect of reversal of impairment of investment in Uthukela Water, which is a comforting scenario.

Year	Total Revenue (R)	% Increase
2011	1 182 506 661	-8%
2010	1 289 670 253	52%
2009	850 774 918	23%
2008	689 944 245	

From the table below, the municipality generates more than half its total revenue base from service charges, which is 55%. The other significant sources of revenue are Property Rates 13%, and Government grants and Subsidies 27%. All other revenue sources are not considered significant and have not formed part of this analysis.

The percentage contributions of various income sources to total income have remained constant in the years other consideration save for the Property rates which used to contribute 21% in 2008 and have shrunk to around 13% in 2011. The Government Grants and Subsidies on the same token have increased from 21% to 27% in 2011.

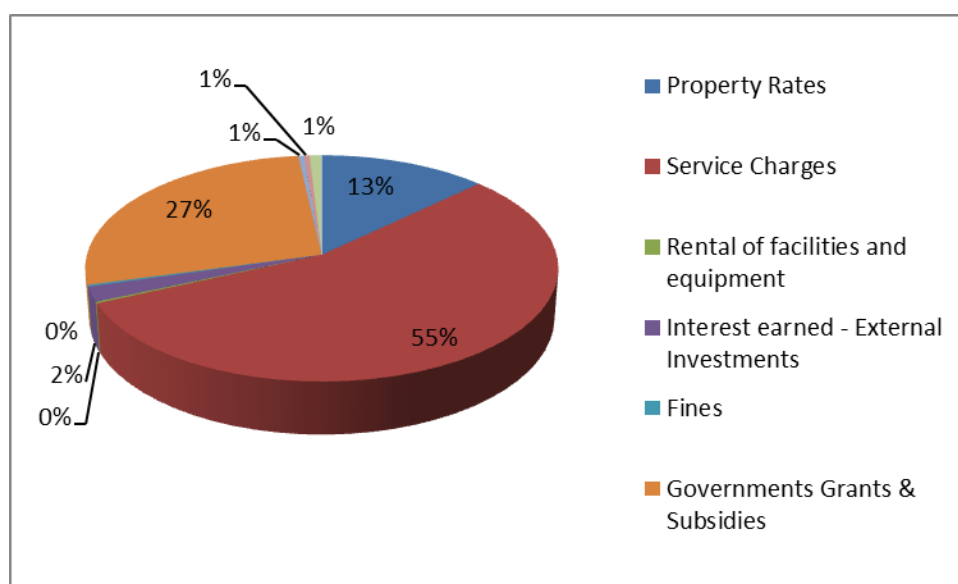
The decrease in property rates is as a result of implementation of Municipal Property Rates Act (MPRA) in 2009 which was based on the Valuation roll (values of properties) compared to the old regime rates which were skewed.

In the Analysis below, the focus is on the material revenue contributing elements in order to analyse their behaviour. In total these contributed R1 130 710 056.89 to the Municipality's R1 182 506 661.40 revenue in 2011, which represents over 96% of the Municipalities revenue base.

Item	% Contribution 2011	2011 (R)
Property Rates	13%	152 386 672.14
Service Charges	55%	654 081 892.57
Rental of facilities and equipment	0%	2 652 370.77
Interest earned - External Investments	2%	25 090 778.19
Fines	0%	2 871 965.55
Governments Grants & Subsidies	27%	324 241 492.18
Revaluation Adjustment: Investment Properties	1%	11 041 000.00
Fair Value Adjustment	0%	5 072 475.00
Other Income	0%	5 068 015.00

<u>Total Revenue</u>	100%	1 182 506 661.40
Percentage Decrease		(8%)
Contributions by material revenue elements		1 130 710 056.89
%Contributions by material revenue elements		96%

The following graph depicts a contribution of major revenues elements:

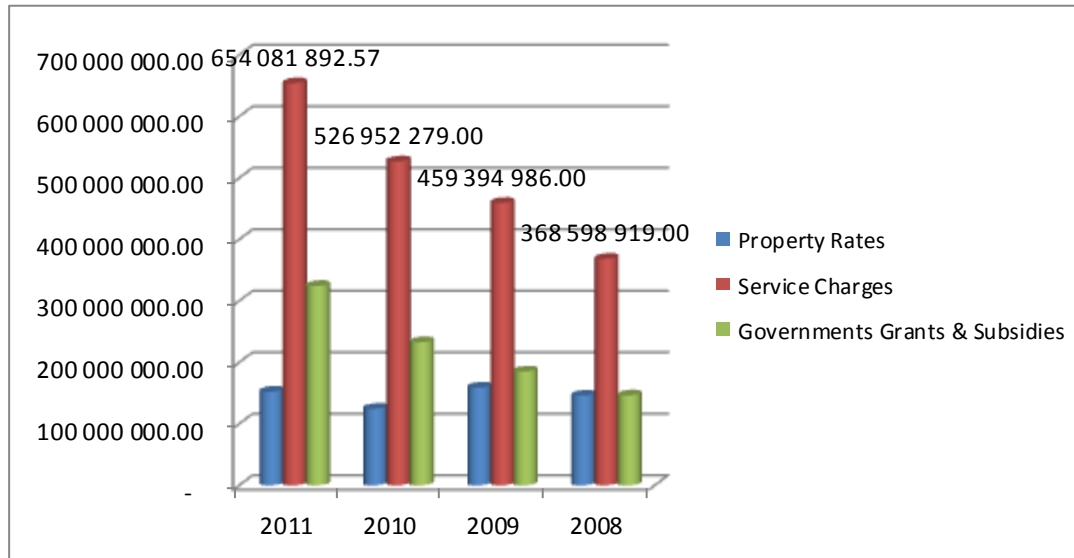


The table below reflects the movement in these revenue streams in the period under consideration. The pattern has, indeed, been erratic and therefore very little conclusions can be reached at this stage. There could very well, be cut-off or allocation issues in the presented numbers. The exercise has not, at this stage, zoomed into an in-depth analysis.

Item	Increase (Decrease)		
	2009	2010	2011
Property Rates	9%	-22%	22%

Service Charges	25%	15%	24%
Governments Grants & Subsidies	27%	26%	39%

The following is a graphical presentation of the patterns of movements of these elements.



EXPENDITURE

The total expenditure of the Municipality has increase well above the inflation rates, as this is evidenced from the table below. Moreover, the trends in increases of expenditure outweigh those in revenue indicating that, at face value, the Municipality has a serious challenge to curb expenses. Whereas it is understood that the sharp increase of expenditure increase is caused by the government call to improve and speed up service delivery to the poor and needy communities in the backdrop of “service delivery protests” to which the municipality has responded so well, nonetheless if these trends continue there will be a major challenge to afford the operations of the Municipality with the revenues that it generates, unless if new revenue streams are identified and exploited.

Year	Total Expenses (R)	% increase
2011	1 327 668 613	45%
2010	917 490 355	-4%
2009	937 184 278	40%
2008	681 680 815	

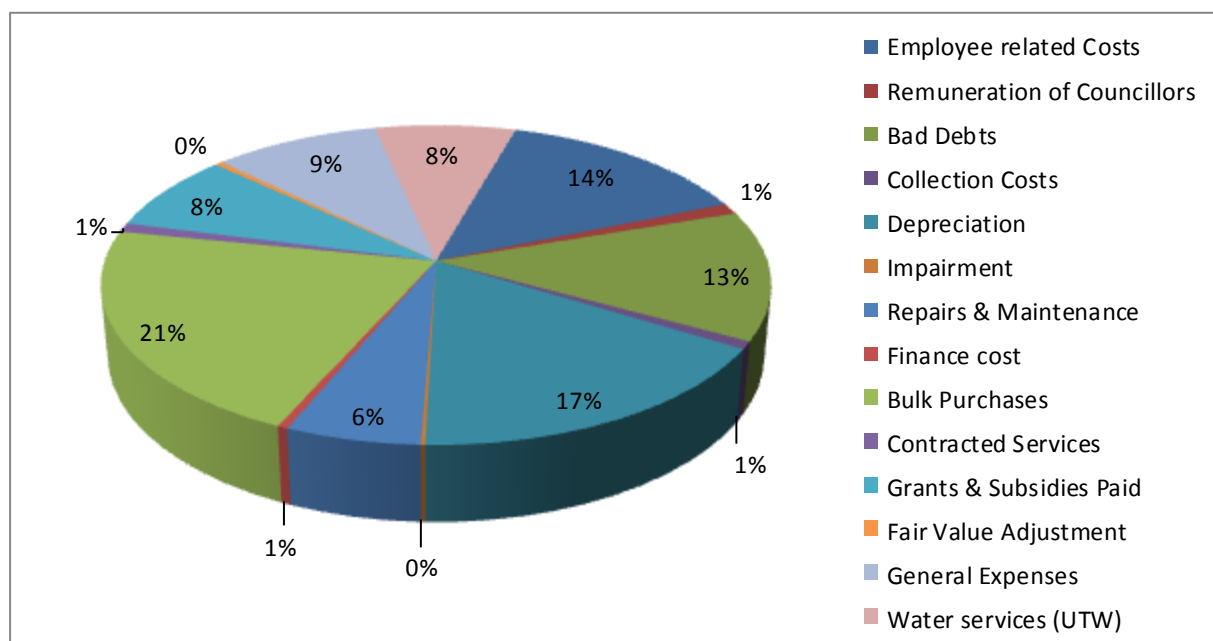
Below is a table of the proportionate contributions of each expenditure element to total expenses. The major expenditure drivers for the municipality are the following:

- Bulk purchases
- Employee related costs
- General expenses
- Grants and subsidies paid
- Bad debts
- Depreciation, amortisation and impairments

Item	% Contribution 2011	2011
Employee related Costs	14%	89 471 533.74
Remuneration of Councilors	1%	14 785 603.30
Bad Debts	13%	174 136 887.81
Collection Costs	1%	10 140 071.63
Depreciation	17%	222 122 758.00

Repairs & Maintenance	6%	75 463 544.00
Finance cost	0%	5 866 997.81
Bulk Purchases	22%	283 223 432.31
Contracted Services	1%	12 229 229.00
Grants & Subsidies Paid	8%	104 889 018.28
General Expenses	9%	123 348 091.00
Water services (UTW)	8%	104 087 133.00
Fair Value Adjustment	0%	5 507 248.00
<u>Total Expenditure</u>	100%	1 327 668 612.88

The graph below further illustrates contribution of the major expenditure elements to total expenditure of the municipality:



The focus is on the major expense elements, i.e. employee costs, bulk purchases, General Expenses, Grant and Subsidies paid and depreciation, amortization and impairments. We, however, recommend that expenditure be considered seriously prior to posting into general expenses as by their very nature these are difficult to analyse and make informed decisions around. These expenditure items account for R1 097 191 721.14 of total expenditure of the municipality's R1 327 668 612.88, representing an 83% contribution to total expenses.

The municipality needs to be applauded because the contribution of employee related costs is 14.43% of total expenditure compared to other municipalities' country wide. This percentage is significantly lower than the prescribed threshold of 33% determined by the National Treasury. Conversely it needs to be mentioned that critical vacant positions need to be filled in order to ensure adequate service delivery. The lower employee contribution has an adverse impact in service delivery as well support function to service delivery (i.e. Treasury and Budget Office in particular) and this aspect is discussed under organisational environment.

The following table depicts movements of major expenditure drivers:

Item	2011 (R)	2010 (R)	2009 (R)	2008 (R)
Employee related Costs	189 471 534	165 846 425	130 614 345	115 953 493
Depreciation	222 122 758	224 589 958	214 834 172	22 977 553
Bad Debts	174 136 888	69 147 301	104 227 317	85 392 914
Grants & Subsidies Paid	104 889 018	79 695 683	45 900 414	25 217 796
Bulk Purchases	283 223 432	219 348 022	166 031 719	127 538 606
General Expenses	123 348 091	61 436 986	205 021 701	206 111 095
Total Expenditure	1 091 191 721	820 064 375	866 629 668	583 191 457

As evident from the table above, Grants and Subsidies paid increased from R25 Million in 2008 to R104 Million in 2011. The upsurge in this expenditure item represents 316%. During the same period our analysis of General Expenses revealed an erratic pattern as it showed 8% decrease from 2008 to 2009, 68% decrease from 2009 to 2010 and 101% increase from 2010 to 2011. Our analysis indicates that this could be as a result of grants from both National Treasury and Provincial Government which has increased over the years sharply in recent year. The grants that the municipality have are:

- Municipal Infrastructure Grant;
- Neighbourhood Development Grant;
- Financial Management Grant;
- Systems Development and Support Grant; and
- Other Grants.

Like the revenue assessment, it appears that there could be allocation challenges that may distort the analysis. It appears that there are problems pertaining to misallocations related to General Expenses and Grants and Subsidies paid. An in-depth analysis of these expenditure items to understand their behaviour is currently being done by the finance team under Ntando's leadership. Currently it appears that Grant Capital expenditure is expensed under Grants and Subsidies paid. We believe that it an incorrect accounting treatment as there is no transfer payments made to other entities amounting to R104 Million as depicted on the table above. However, the correction of this problem and capitalization of all Grant Capital expenditure to the relevant classes of assets in the Statement of Financial Position is being undertaken.

Bad debts have increased significantly from R75 Million in 2008 to R174 Million in 2011. This scenario is disconcerting as it may have a negative impact on our liquidity position if not addressed as a matter of extreme urgency. The take is that there is a need to embark on a solution that will yield a serious debt collection drive to curb to this situation from deteriorating further. Water, sewer, waste disposal and rates in east (former townships) are a critical factor to the strategy to reduce bad debts. It is known by the leadership of the municipality that disconnection cannot be used as a tool at this stage as electricity which can be disconnected is supplied by Eskom. The East has 75% bad debts. The implementation of water flow regulators was once discussed as one of the strategies but was not pursued until the constitutionality of such was confirmed. The avenue that should be considered is getting a licence to be the distributor of electricity in the East.

Furthermore, it needs to be mentioned that R104 Million relating to Water Services (UTW) is actually an investment by Newcastle Municipality to Uthukela Water and as such was capitalized during consolidation process.

The table below further illustrates increases in the major expenditure items:

Item	% Increase		
	2009	2010	2011
Employee related Costs	13%	27%	14%
Bad debts	22%	-34%	152%
Depreciation, amortization and impairment	835%	5%	-1%
Grants and Subsidies paid	82%	74%	32%
Bulk Purchases	30%	32%	29%
General Expenses Other	-8%	-68%	101%

NET OPERATIONAL PERFORMANCE

Evidently the Surpluses of the Municipality have been steadily declining from R8 Million surplus in 2008 to R145.1 Million deficit in the 2011 financial year. The primary reason in our assessment has been the pressure of expenses on the operations, coupled with incorrect accounting for assets in our records. As we alluded to earlier we still need to perform in-depth analysis of General expenses and Grants and subsidies paid expenditure elements. The extent of sustainability of revenue and the ability to increase the revenue base is, at this stage under scrutiny, thus increasing the risk of affordability of the operational expenses moving forward. An urgent understanding of these expenses and how they can best be managed is necessary to ensure that the municipality remains a financially viable. However, if our assessment is correct the situation is not as dire as it appear, also taking into account the fact that an amount of R222 Million relates to depreciation of assets, which in its very nature a book entry to achieve fair presentation in our financial statements, but not the amount actually spent.

The table below depicts our financial performance for the past four (4) years:

Year	Total Revenue	Total Expenditure	Surplus/ (Deficit)	% Increase/(Decrease)
2011	1 182 506 661	1 327 668 613	-145 161 952.00	-139%
2010	1 289 670 253	917 490 355	372 179 898.00	532%
2009	851 014 835	937 184 278	-86 169 443.00	-1143%
2008	689 944 245	681 680 815	8 263 430.00	

It is evident from the table above that there have been steady decline in the operational performance of the municipality. Although it may appear that we performed very well in 2010 as we recorded R372 Million surplus, R363.8 Million of related to the Reversal of Impairment on Uthukela Water in prior years.

DEFICIT

In order to elucidate the above-mentioned statement further, it is critical to note that although we sustained an operating deficit of R145.1 Million during the year under review, further analysis show that if we ignore the effect of depreciation and amortization and account correctly for Capital Grant expenditure, the results would be as follows:

Item	2011
Deficit	-145 161 951
Plus: Grants & Subsidies paid	104 889 018
Plus: Depreciation and Amortisation Expense	222 122 758

Surplus	181 849 825
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However, it should be noted this analysis is not entirely accurate as the small portion of the R104 Million Grants & Subsidies paid relates operational expenditure which was correctly expensed.

However, if we ignore the effect of Investment in Uthukela Water amounting to R104 Million which was capitalized during consolidation, the surplus would have been R285 Million. Although this scenario look good at face value, caution need to be exercised as revenue earned did not translate to actual cash at the bank, which is why it imperative to intensify our debt collection.

FINANCIAL POSITION

ASSETS

The municipality has an investment of over R2.9 Billion in assets. As evident from the table below, this investment has sharply increased in the last financial year. Although the big chunk of this increase was as a result of revaluation of assets and reversal of impairment of Investment in Uthukela Water, it is worth mentioning that we have invested an amount of R203 Million in Infrastructure and other movable assets, which is a good indicator as it allows the municipality to have capacity to render service delivery to communities, that we serve.

It is disconcerting to note however that other debtors have increased by 1023% from 2008 to 2011, as it may have a negative impact on our liquidity position if not managed. We cannot overemphasize the need to embark on a vigorous debt recovery drive to curb the situation from deteriorating further.

The table below provides an overview of our assets trends during the past 4 years:

Item	2011	2010	2009	2008
Assets	2 993 115 025	2 595 626 608	2 131 961 638	545 555 592
Property, Plant & Equipment	1 334 588 185	1 353 243 682	1 479 963 664	211 614 969
Cash & cash equivalents	381 792 756	422 120 521	366 053 927	246 200 993
Investment Property	165 566 900	165 566 900	162 998 936	-
Intangible Asset	700 516	325 370		
Current portion of receivables	27 390 265	30 157 455	19 773 698	18 864 939
Investments in Associate	980 845 685	458 647 828		
Long-Term Receivables	3 963 941	13 681 749	25 178 710	25 930 117
Vat	16 822 449	9 685 711	-	-
Inventory	5 977 810	6 305 437	5 353 830	5 198 147
Consumer Debtors	79 841 843	112 266 674	76 082 632	47 287 923
Other Debtors	104 704 656	23 625 281	16 329 939	9 323 443

For the sake of clarity we deemed it necessary to unpack these assets as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible items that:

are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and

are expected to be used during more than one reporting period.

The municipality has significantly invested in assets which augur well for service delivery. Assets increased by 531% from 2008 to 2011. Property, Plant and Equipment represents 45% of the capital structure of the municipality.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash invested with banks. Cash and cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. The municipality has achieved 55% increase in cash and cash equivalents, which means that we have remained liquid and thus not experiencing cash flow or financial viability problem. Cash and Cash Equivalents represent 13% of the capital structure of the municipality.

INVESTMENT PROPERTY:

Investment property is Property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- ✓ use in the production or supply of goods or services or for administrative purposes, or
- ✓ sale in the ordinary course of operations.

Investment Property represents 6% of the capital structure of the municipality. Most of Investment Property is vacant land which means the municipality has adequate potential to facilitate development, which bode well for our future revenue growth.

INVESTMENT IN ASSOCIATE:

Investment in Associate represents our 34% stake in Uthukela Water. The investment increased from R 458 647 828 in 2010 to R 980 845 685 in 2011. This represents 114%% increase which is a good indicator.

CONSUMER DEBTORS:

Amounts billed to consumers, net of the provision for bad debts. The Municipality has provided for R 611 Million as bad debts in 2011 which may impose significant strain on our liquidity position in the future if not urgently managed.

OTHER DEBTORS:

Amounts owed by levy-payers, financial institutions in respect of interest on investments and sundry debtors; could also include deposits made by the municipality. The R 104 Million sitting on Other Debtors will have a negative impact on future financial viability of the Municipality if do not embark on a vigorous debt collection drive.

LONG TERM RECEIVABLES:

Receivables that is not receivable over the next 12 months for example, housing loans and staff car loans, net of the provision for bad debts, that are not receivable over the next 12 months.

CURRENT PORTION OF RECEIVABLES:

Amounts that will be recoverable from long-term debtors within the next 12 months.

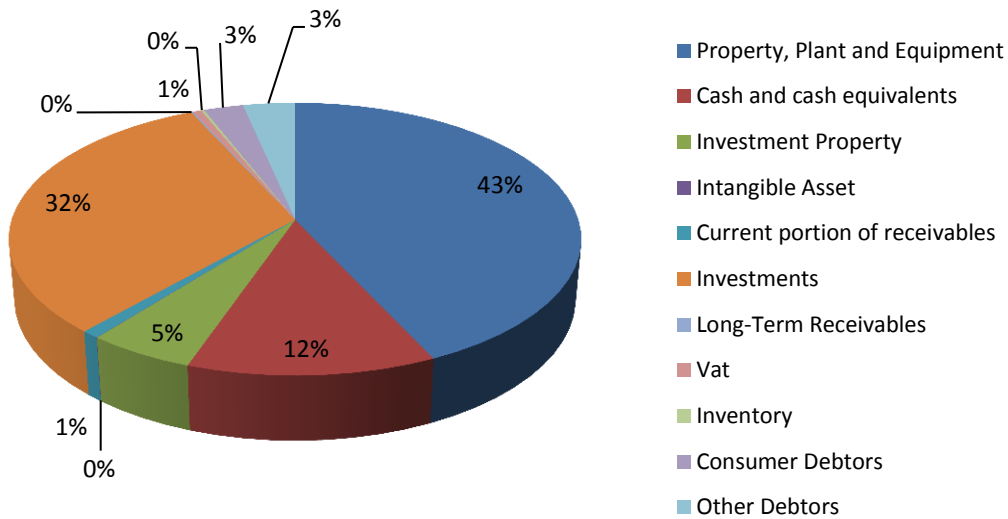
VAT RECEIVABLE:

Net VAT recoverable from SARS. If income tax is recoverable, together with VAT, these amounts will be disclosed as "taxes" on the Statement of Financial Position.

INVENTORY:

Consumable, net of obsolescence provision.

The Proportionate contributions to the asset base of the municipality are as follows:



This suggests that the relative importance of Call Investment Deposits, Property, Plant and Equipment, Investment Property and Consumer Debtors' bank balances and Investment in Associate.

LIABILITIES

The liabilities of the Municipality are just in excess of a R277 Million as reflected below. Clearly the Municipality is a going concern with assets in excess of liabilities even before the effects of a change in accounting policy for property, plant and equipment.

Item	2011	2010	2009	2008
Liabilities	277 195 553	350 186 853	308 260 309	267 561 254
Long-Term Liabilities	48 517 986	78 267 121	71 387 341	61 337 600
Non-current provision for landfill site	50 765 425	50 765 425	64 755 606	55 101 570
Non-current provisions:	55 625 693	53 301 147		

Item	2011	2010	2009	2008
plan obligations				
Consumer Deposits	9 983 442	10 038 525	10 318 099	9 478 841
Current Provisions	906 398	2 324 506	3 360 357	4 442 006
Unspent Conditional Grants and Receipts	29 512 126	49 778 808	57 943 451	51 149 758
VAT	-	-	31 488 564	24 495 519
Current Portion of Long-Term Liabilities	9 219 495	6 689 518	6 780 397	6 142 553
Trade and other payables	72 664 988	99 021 803	62226494	55 413 407

For the sake of clarity we deemed it necessary to unpack these liabilities further as follows:

LONG-TERM LIABILITIES:

These are external loans that are not repayable over the next 12 months. The Long Term Liabilities has decreased from R 61 337 600 to R48 517 986 which is 21% decrease. This means that the municipality is honouring its obligations, which is a good indicator.

NON-CURRENT PROVISION FOR LANDFILL SITE:

In terms of the licencing of the landfill refuse site, council will incur rehabilitation costs of R 50 765 425 million to restore the site at the end of its useful life, estimated to be in 2010 by Vuba Engineers. Provision has been made for the net present value of this cost using the average cost of borrowing interest rate. The municipality need to make a provision R 50 765 425 to rehabilitate the rehabilitate the site.

CONSUMER DEPOSITS:

Deposits held in lieu of providing municipal services on credit.

NON-CURRENT PROVISIONS: PLAN OBLIGATIONS:

The municipality provides retirement benefits for its employees and councillors. This means if the Retirement Fund should get liquidated, the municipality will be required to fulfil the obligation to retired employees and councillors.

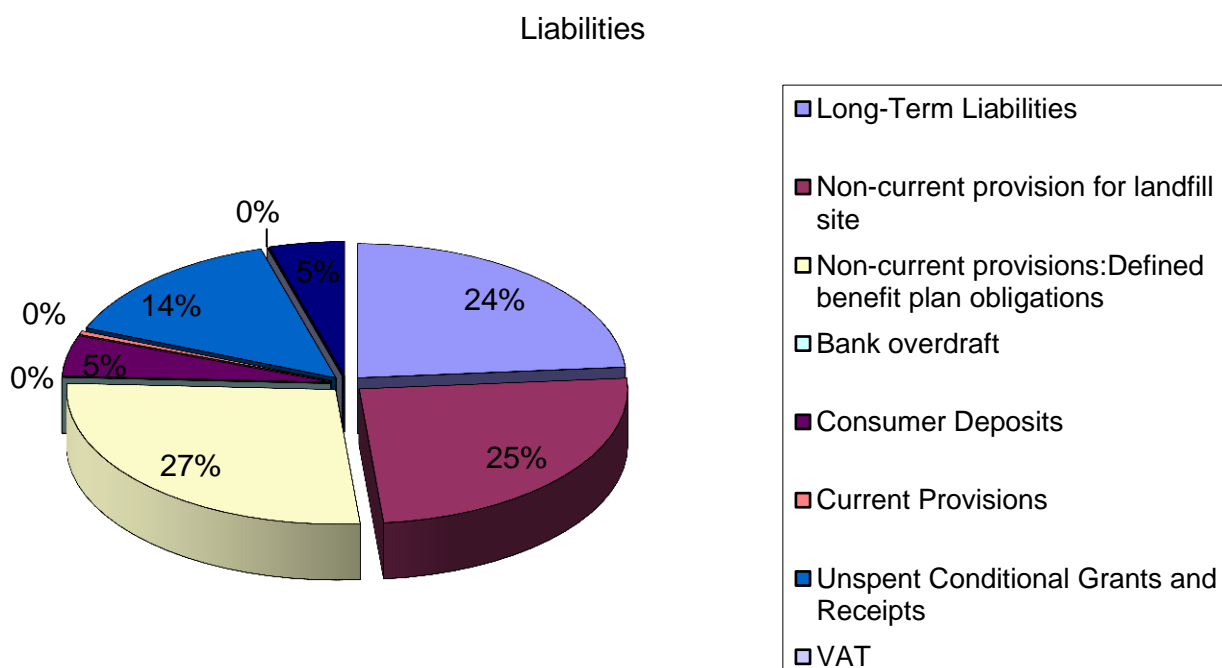
UNSPENT CONDITIONAL GRANTS:

These are conditional grants from other spheres of government. These amounts represent the obligation of the municipality to comply with the conditions of the grant. If the municipality fails to fulfil the obligations, we will be required repay the money to the National Revenue Fund.

TRADE AND OTHER PAYABLES:

Trade creditors, staff leave accrual and payments received in advance which represent amounts invoiced or received by the Municipality where services still have to be rendered. These are obligations which the Municipality will be required to fulfil in the future.

The proportionate share of individual liabilities to total liabilities is as per the diagram below:



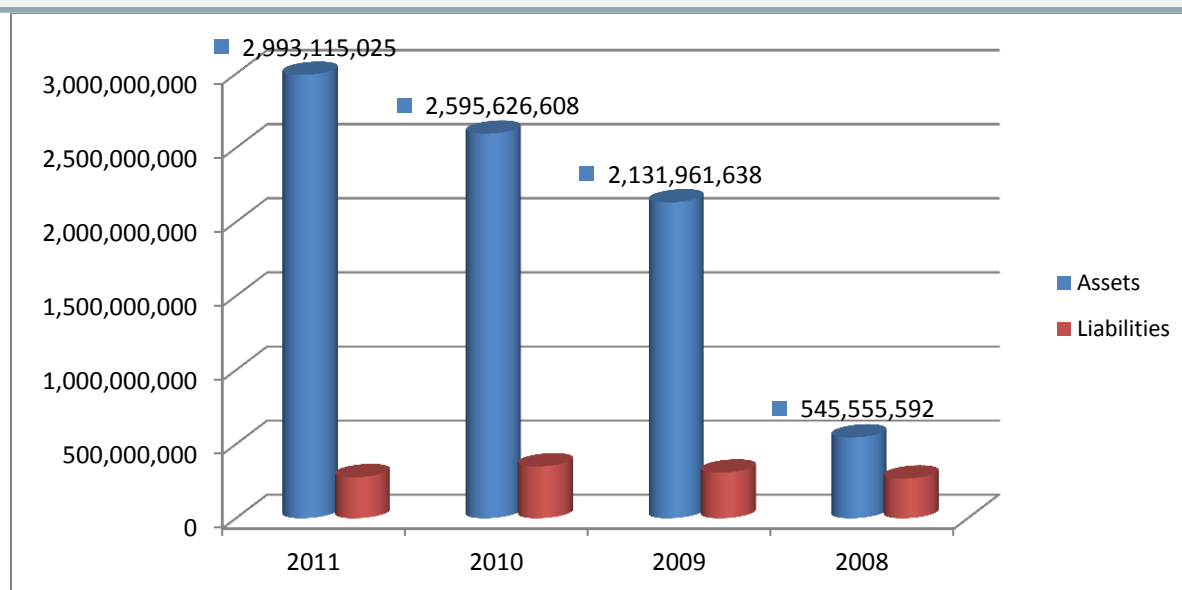
SOLVENCY

The entity remains solvent with total assets in excess of total liabilities. This is a comforting scenario, as the municipality continues to invest in assets. During the year under review an amount of R203 million was invested in assets. As outlined in the table below, the solvency position (ratio of assets to liabilities) of the municipality has systematically improved from 2.04 in 2008 to 10.80 in 2011 which means that the municipality has healthy balance sheet, which is encouraging.

The table below illustrates our solvency situation for the 4 years being analyzed:

Item	2011	2010	2009	2008
Assets	2 993 115 025	2 595 626 608	2 131 961 638	545 555 592
Liabilities	277 195 553	350 186 853	308 260 309	267 561 254
Net Assets	2 715 919 472	2 245 439 755	1 823 701 329	277 994 338
Ratio	10.80	7.41	6.92	2.04

The graph below illustrates our solvency ratio analysis:



Although the above scenario is comforting, our Technical Services Department is currently testing assets for impairment or put differently, undertaking condition assessment of roads infrastructure assets. One hopes that the carrying values of assets and liabilities at balance sheet dates, particularly in 2011, closely resemble the recoverable amounts as this would have dire consequences on the solvency of the organization in the future.

LIQUIDITY

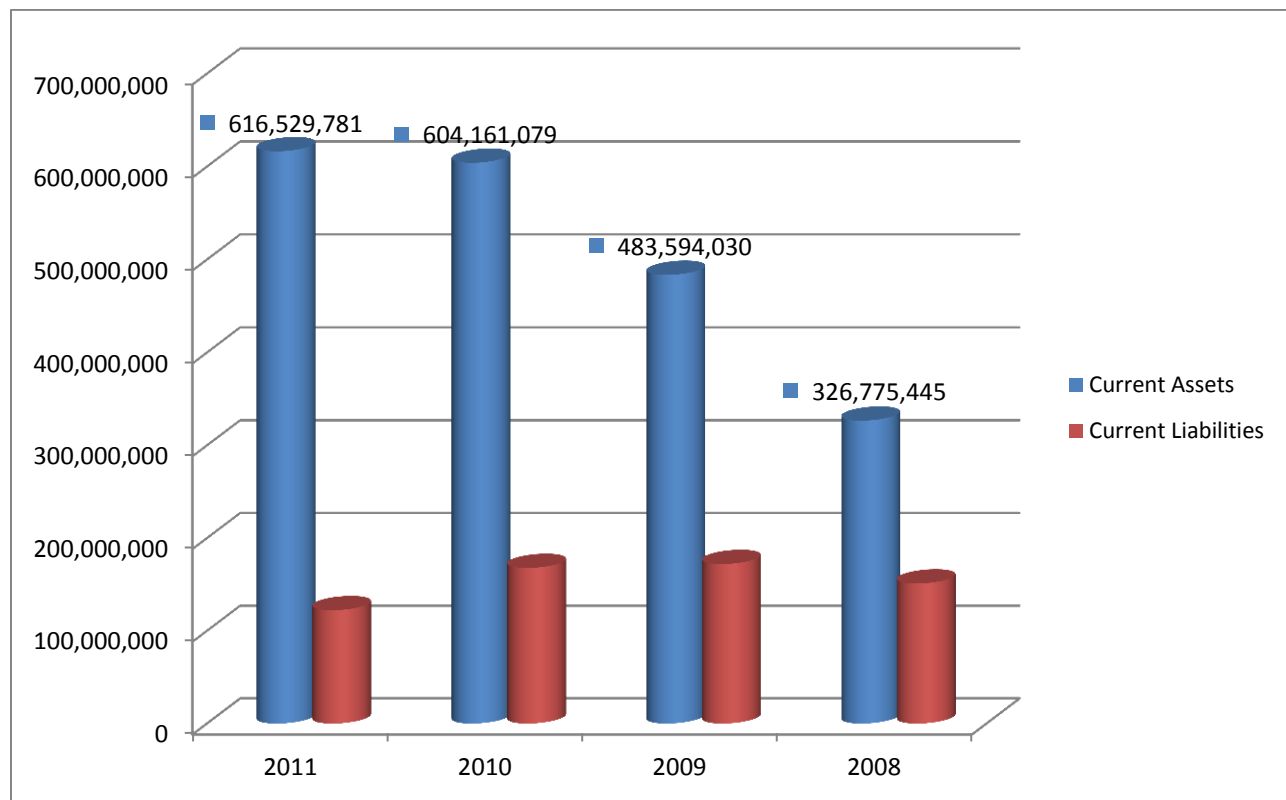
As evident from the table below, the capacity of the Municipality to fulfill its short term obligations has systematically improved. As depicted on the graph below the liquidity has moved from healthy 2.16 (ratio of current assets to current liabilities) in 2008 to even healthier 5.04 in 2011. The net result is that the Municipality can service its short term commitments, which is a good indicator.

However, on analysis of the ageing of debtors as presented on the financial statements, we noted further that there is a significant debts amounting to R445 042 197 that are due for over 365 days. The general state of the ageing of debts is a cause for concern. We would place a high risk on the collection of these amounts which puts an even greater strain on the liquidity position of the municipality. Concerted efforts are necessary to augment debt collection strategies in order to ensure that the municipality remains financially viable in a long term.

The table below highlights our liquidity position for the 2008, 2009, 2010 and 2011 financial years:

Item	2011 (R)	2010 (R)	2009 (R)	2008 (R)
Current Assets	616 529 781	604 161 079	483 594 030	326 775 445
Current Liabilities	122 286 449	167 853 200	172 117 362	151 122 083
Ratio	5.04	3.60	2.81	2.16

The graph below further illustrates our liquidity situation:



CASH FLOWS

The analysis below has been made from the cash flow statement presented on the annual reports for the years under scrutiny.

The table below depicts the cash flow analysis of the municipality from the past 4 year's cash flows:

Item	2011	2010	2009	2008
Net Cash from Operating Activities	654 266 273	512 953 010	138 675 844	60 230 413
Net Cash from Investing Activities	-729 108 130	-105 812 591	-167 545 409	-133 658 872
Net Cash from Financing Activities	34 514 093	6 509 327	20 099 229	24 519 601
Cash & Cash equivalents at the end of the year	381 792 757	422 120 521	366 053 927	246 100 993
Increase/(decrease)	-(0.10)	0.15	0.49	

As evident from the table above, the municipality has been enjoying positive cash flows from its operations of 55% from 2008 to 2011, save for slight decline of 10% in 2011.

From our analysis, substantial amount of cash has been utilized in the investment in property, plant and equipment, which is a good indicator.

The financing situation for the Municipality has been positive.

THE ORGANISATIONAL ENVIRONMENT

The results of this analysis are caused by a congruent of factors.

Requirement in Terms of MFMA

FINANCIAL DISCIPLINE

Section 62 (1) (a-e) of the MFMA states that:

- 1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure –
 - a) that the resources of the municipality are used effectively, efficiently and economically,
 - b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards,

- c) that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control,
- d) that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented,

Section 65 (2) (j) further states that the accounting officer of a municipality is responsible for the management of the expenditure of the municipality and must take all reasonable steps to ensure that all financial accounts of the municipality are closed at the end of each month and reconciled with its records.

Section 63 of the MFMA states that:

- 1) The accounting officer of a municipality is responsible for the management of:
 - a) the assets of the municipality, including the safeguarding and the maintenance of those assets, and
 - b) the liabilities of the municipality

Furthermore, Section 64 of the MFMA states:

- 1) The accounting officer of a municipality is responsible for the management of the revenue of the municipality;
- 2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure –
 - a) that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy,
 - b) that revenue due to the municipality is calculated on a monthly basis,
 - c) that accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical

GRAP/GAMAP

National Treasury issued a circular requiring all municipalities across the country to be fully compliant with GRAP/GAMAP accounting standards by 2010,

There is a general lack of requisite knowledge by the finance team on GRAP/GAMAP requirements. This culminates in:

- An inability to account for financial accounts in line with GRAP/GAMAP accounting standards,

- Reliance on consultants in preparing financial statements in line with GRAP/GAMAP requirements by municipalities already converted from IMFO to GRAP/GAMAP,
- Lack of preparedness by those municipalities still to convert to GRAP/GAMAP requirements,
- Financial systems not geared towards GRAP/GAMAP requirements.

FINANCIAL CHALLENGES

The following challenges in financial administration, management and reporting within municipalities have been identified:

Lack of Financial discipline

Lack of systems of internal controls to manage assets evidenced by:

- Asset registers not updated when acquisitions, impairments or disposals are made;
- Reconciliations of the asset register to the general ledger not performed;
- Regular verifications of assets to ascertain existence and condition not in place.

A lack of these processes contribute to delays in the submission of financial statements due to difficulties encountered in reconciling general ledger / trial balance to corresponding supporting schedules. Further, the existence of assets cannot be ascertained due to a lack of ongoing process to verify them.

Inadequate revenue collection systems within municipalities evidenced by:

- Low recovery of amounts owed for municipal services from consumer debtors;
- Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts,
- Lack of advice to the council on revenue enhancement mechanisms.
- Extraordinarily large provisions for doubtful debts being posted on the Annual Financial Statements.
- Lack of month end discipline resulting in month end closure not performed, critical month end reconciliations not performed, inability to identify completeness of recording of transactions, and inability to report meaningfully to the municipal structures on financial performance;
- Poor record management resulting in difficulties in tracing financial records supporting the financial affairs of the municipality;
- Lack of processes to identify and manage unauthorised, irregular and wasteful expenditure;
- Issues raised by the Office of the Auditor General not followed up and cleared on time.

Skills

Section 83 of the MFMA prescribes that:

- 1) The accounting officer, senior managers, the Chief Financial Officer and other financial officials of a municipality must meet the prescribed financial management competency levels.

The following skills are critical for finance staff:

- Knowledge of generally recognised accounting practise at transaction level (i.e. inability to account for financial accounts correctly through basic principle of debit and credit),
- Understanding of the importance of month end closure,
- Understanding of reconciliations and their purpose,
- Adequate supervision of staff activities,
- Ability to present meaningful monthly management reports and provide sound advice to the council,
- Ability to prepare annual financial statements in accordance with applicable generally recognised accounting standards.

General

Due to inadequacy of the current structure there is a high risk of errors and fraud and corruption due to lack of segregation of incompatible duties, particularly in Supply Chain Management.

The current structure has compromised financial reporting and provision of statistical information to stakeholders.

An expectation that at the levels in terms of the current structure the finance staff would possess the requisite skills in financial management is potentially a fallacy as there is a country – wide cry for the shortage of such skills. It is probably a foregone conclusion that the attraction of these skills would be in environments most conducive for luxurious lifestyles. These skills are, as such, attracted to the private sector and to urban environments, thus compromising the public service and, in particular, rural municipalities. Without disrespect, with the current structure it unlikely that the municipality can attract the “cream of the crop”. Unless this fact is accepted as a reality of our public administration, coherent strategies to effect meaningful administration and, indeed this proposition, will never be accepted and implemented.

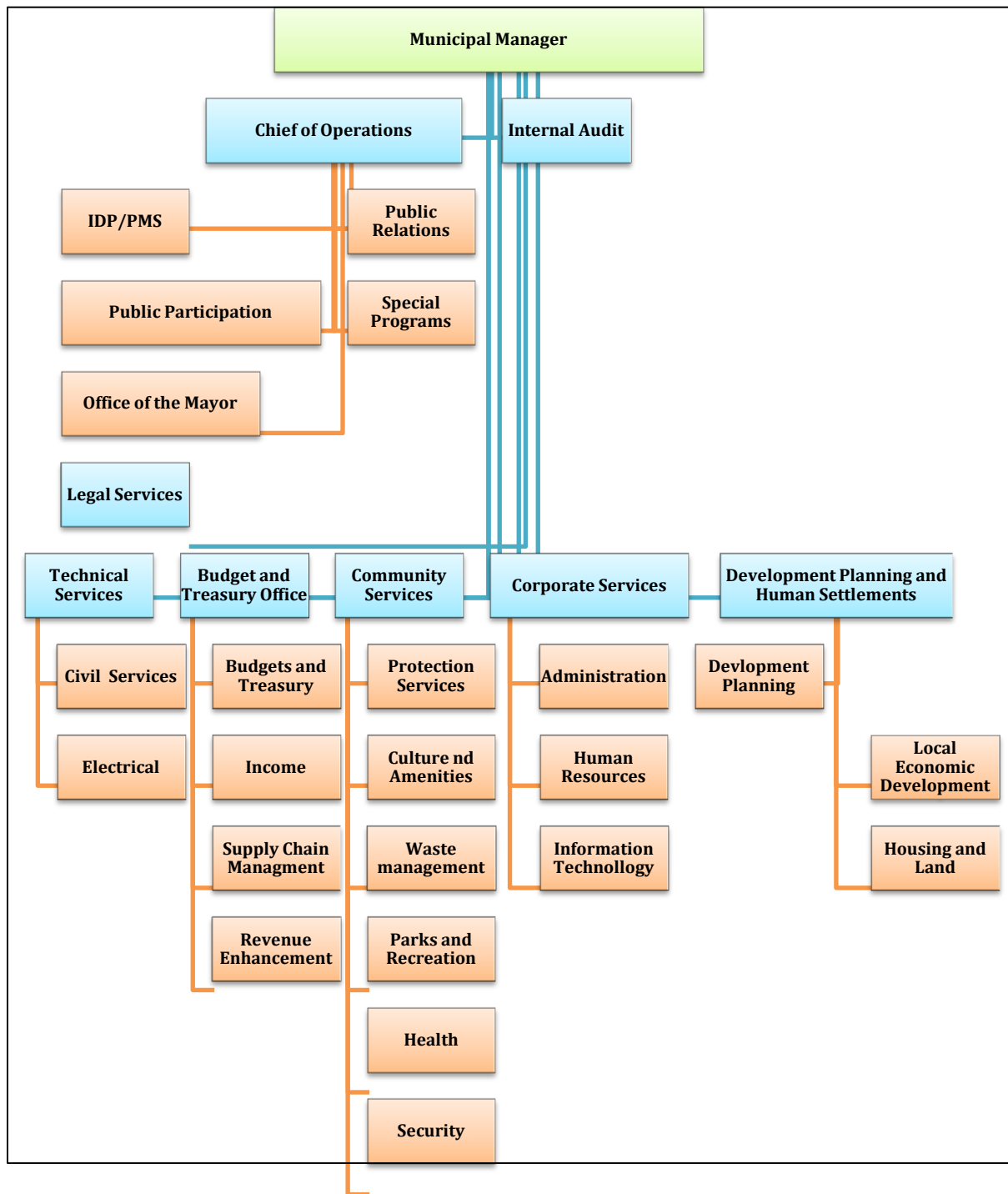
CHAPTER 4

ORGANISATIONAL DEVELOPMENT OVERVIEW

As at 30 June 2011, the Municipality had a staff compliment of 1234 people, servicing areas of Newcastle, Madadeni, Osizweni, Blaauwbosch, Ngagane, Kilbarchan, and Charlestown. The total establishment should be 2000. However, the Micro structure is being reviewed as part the organisational restructuring process, and the staff complement could therefore increase to meet the service delivery challenges.

COST TO EMPLOYER OF MUNICIPAL STAFF :- (TOTAL)	1234	R164 380 636
- Top Management	16	R11 948 590,68
- Senior Management	29	R15 702 051,45
- Professionally qualified and mid – management	59	R17 220 146,51
- Skilled technical and academically qualified – junior Management	216	R42 677 363,22
- Semi – skilled and discretionary decision making	259	R27 221 515,16
- Unskilled and defined decision making	484	R40 706 931,35
- Temporary employees	171	R8 904 038,40

ORGANISATIONAL STRUCTURE



The following information provides a breakdown of staff per function

DEPARTMENT	NO. OF EMPLOYEES	MALES	FEMALES
MUNICIPAL MANAGER AND MAYOR'S OFFICE	36	21	15
CORPORATE SERVICES			
- Administration	35	14	21
- Human Resources	23	9	14
COMMUNITY SERVICES			
- Culture & Amenities	320	268	52
- Protection / Community Services	421	303	118
DEVELOPMENT & PLANNING			
- Town Planning	24	16	8
- Housing & Land	29	11	18
- Economic Development	8	5	3
TECHNICAL SERVICES			
- Civil Services	185	131	54
- Electrical / Mechanical Services	66	54	12
FINANCIAL SERVICES	87	30	57

EMPLOYMENT EQUITY

Progress has been made during the last year with regard to affirmative action .

Occupational Level	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	12	0	0	2	1	0	0	1	16
Senior management	15	0	2	2	6	0	2	2	29
Professionally qualified and experienced specialists and mid-management	17	1	2	7	20	1	2	9	59
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	67	7	16	27	59	3	9	28	216
Semi-skilled and discretionary decision making	141	1	15	6	61	4	15	16	259
Unskilled and defined decision making	327	5	10	1	140	1	0	0	484
TOTAL PERMANENT	579	14	45	45	287	9	28	56	1063
Temporary employees	102	3	7	3	37	0	10	9	171
GRAND TOTAL	681	17	52	48	324	9	38	65	1234

SKILLS DEVELOPMENT

The following training has been conducted for employees during the 2010/2011 financial year:

PROGRAMME	NR OF EMPLOYEES	COST
Certificate Programme in Management Development	1	R 38,048.17
Computer Development Programme	152	R 192,247.61
Occupation Directed ETDP	13	R 64,140.05
Electricians Development Programme	20	R 131,490.00
Traffic Development Programme	2	R 40,678.00
Accountancy Certificate (LGAC)	23	R 62,487.92
Artisans Development Programme	34	R 8,189.36
Drivers and Operators Dev. Programme	137	R 405,849.35
Public Relations	5	R 56,057.47
Security Development Programme	25	R 67,916.76
Various Workshops and Conferences	65	R 240,041.23
Gap skills training	3	R 7,002.33

PROGRAMME	NR OF EMPLOYEES	COST
DBSA Electricians	2	R 8,958.91
EAP Training	2	R 17,341.42
Effective report writing	2	R 13,231.97
First Aid Training	10	R 7,650.00
Grador & TLB Operators	13	R 19,629.35
HR Policy Presentation	73	R 29,388.00
IsiZulu	10	R 0.00
Lifesaving Refresher	5	R 12,029.91
Matric	29	paid in 2009/2010
Financial development programme	14	R 77,906.65
TOTAL	640	R 1,500,284.46

PRACTICAL EXPERIENTIAL TRAINING PROGRAMME

DEPARTMENT	NO OF TRAINEES ENGAGED
Technical Services	27
Corporate Services	14
Community Services	26
Budget and Treasury Office	-
Development Planning & Human Settlements	13
Office of the Municipal Manager	5

The submission of the approved Workplace Skills Plan on time to the Local Government Sector Education Training Authority (LGSETA) is seen as an achievement as it renders the municipality eligible for mandatory and discretionary grants.

Three ABET educators were hired to teach employees that are enrolled on the ABET programme. There are thirty employees that are on the programme on levels 1, 2,3 and 4. The classes run every day of the week in order to ensure continued service delivery.

CHAPTER 5

ANNUAL PERFORMANCE REPORT 2010/11

The Annual Performance Report (Appendix 3)is included in this Annual Report. The Annual Performance Report includes the following :-

- ✓ [Organisational Score-card using the Cogta Reporting Template](#)
- ✓ [SDBIP's for all departments](#)
- ✓ [Capital Status Report as at 30 June 2011](#)

LEGISLATIVE OVERVIEW

Section 46 of the Municipal Systems Act requires a municipality to prepare for each financial year a performance report reflecting–

- ❖ The performance of the municipality and of each external service provider during that financial year;
- ❖ A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- ❖ Measures taken to improve performance

Every attempt has been made to align the submission of this Annual Performance Report with the submission of the Annual Financial Statements for the Office of the Auditor-General.

Section 121 of the Municipal Finance Management, 2003, further requires that this Annual performance report form a component of the Annual Report to be submitted to Council by the 31 January each year.

Accordingly, the final Annual Performance Report for 2010/11 is to be incorporated in the Annual Report including other such components such as the Annual Financial Statements, Audit Report from the Auditor-general's Office, the Audit Committee Recommendations etc.

LESSONS LEARNT

Reporting requires that the priorities of the organisation, its performance objectives, indicators, targets, measurements and analysis, are taken and presented in a simple and accessible format, relevant and useful to the specified target groups for review. While it is important that the reporting formats are relevant, useful and cater for the reader's need in reviewing performance, the existence of too many reporting formats can become both confusing and burdensome to the organisation. The ideal situation is the existence of one reporting format that contains the necessary information for all users, yet remains simple and accessible to all users.

It is also apparent that in order for an effective PMS, it is necessary for all stakeholders to be involved in the planning, monitoring and review process. Of specific note is the need for the streamlining of oversight activities by the Council and Community through processes specified in a framework to be aligned to other key strategic processes of the organisation.

It was further identified that it is in fact necessary for performance to cascade to all levels of employees to enhance service delivery processes. Accordingly, performance management options and policy review is being investigated.

Perhaps one of the critical factors influencing performance in the organisation is the value chain and instilling a culture of performance. This would include amongst others - change management and team building techniques, awareness of and practicing of Batho Pele principles and a Code of Ethics. These are all processes that will form the basis of a restructuring and skills development programme of the municipality.

For the performance Management process to be efficient, it is necessary for an automated system to be implemented to ensure accurate reporting that is aligned to financial reporting processes. This must be followed by effective risk management and internal audit processes to ensure that review mechanisms are implemented timeously.

Of critical importance is the need for improved Intergovernmental relations to ensure streamlining of performance based reporting processes. This would require that all spheres of government to integrate and co-ordinate these reporting requirements through the identification and rationalization of key performance indicators aligned to the National Growth Path.

OVERALL OBSERVATIONS

- ✓ The Assessment is based on Reported, Un-audited Performance Reports. The Portfolios of evidence is subject to verification and evaluation processes being finalised
- ✓ The administration has made significant progress in respect of millennium development goals through the eradication of backlogs for basic services. It was through this reporting cycle that it was observed that water services through water tanker service were not included in the statistics. The backlog figures were therefore overstated. This has been corrected in the quarter 4 reporting period.
- ✓ Major inroads were made in respect of rendering free basic services to specifically informal settlements. Newcastle has seen a growth in informal settlements especially the H39 and Siyahlalala informal settlements. The need to fast track housing development cannot be over emphasized, and this required an asserted engagement with the Provincial department of Human Settlements.
- ✓ The implementation of the roads programme has seen an increase in the kilometers of roads graded and tarred, resulting in 414,6 km of roads being graded and 35,2 km of roads being tarred. An additional 41,59 km of roads was also resealed in this year.
 - Whilst it is concerning that there is need to roll-over unspent capital funds especially for roads development, it is pleasing to note that attempts to fast track the capital development programme using innovative project management approaches and methodologies is in progress.
- ✓ It is necessary to ensure integrated reporting in respect of electricity which requires engagement with ESKOM for its license area. As a result the data contained in this annual performance report is restricted to the Newcastle Municipality license area.
- ✓ A new financial system was implemented in the 2010/11 financial year. As is expected with any new system being introduced in the organisation, *"teething problems"* are being experienced.

This has impacted on meeting minimum reporting requirements. However, every effort was made to comply with legislative reporting requirements.

- ✓ Whilst departments have submitted reports, in some instances this was incomplete due to the un-availability of information. As a result the progress in respect of reportable indicators have not been given in certain instances. It is expected that this be included prior to the formal evaluation for inclusion in the final Annual Performance Report.
- ✓ Management is required to better align its performance management process to the budget process. This will result in targets being more realistic. Furthermore, the performance against SDBIP's should be revised and to inform the adjustment budget process. Cash flow projections must also be revised and aligned to the adjustment budget and revised SDBIP's
- ✓ Through the Manco and Extended Manco,, interdepartmental co-ordination and integration is encouraged. A weakness identified is inadequate co-ordination processes and systems to encourage team performance resulting in non-alignment of KPI's, targets and reporting against related objectives and projects.
- ✓ A major challenge within the organisation is poor record keeping by departments. This is impacting on delays in the submission of and integrity of performance information. A document management approach is being investigated to be applied consistently within the organisation.
- ✓ Monitoring and reporting from, and of the Water Services Provider is inadequate to effectively monitor the performance of the Entity in respect of non-financial indicators. It is necessary to engage the Entity further to develop a monitoring system aligned to that of the municipality.
- ✓ Whilst PMS auditing is conducted within the organisation to comply with legislation, the findings need to be included in an Action Plan to be implemented organisational wide. This will allow for internal audit supporting the PMS process thus adding value to the organisation as whole.

OVERALL COMMENT

- ✓ The progress and performance made in respect of meeting organisational and operational targets are commended.
- ✓ There is a need for further alignment between the IDP, PMS and Budget processes
- ✓ Additional monitoring, evaluation and review at a departmental level on atleast a monthly basis is compulsory to encourage adherence to planned programmes.
- ✓ Internal co-ordination systems and processes require review to ensure improved co-ordination.
- ✓ Alignment of the Financial System to the Performance Management system must be fast tracked.
- ✓ Internal Auditing processes should be seen as supportive of and value-adding to the performance management process.
- ✓ Record keeping and document management approaches will determine the quality of the evidence to be submitted for evaluation purposes
- ✓ Performance management capacity to be increased organisational wide to improve processes

GENERAL RECOMMENDATIONS FOR IMPROVEMENT

- (a) That Directorates ensure more alignment between the IDP, PMS and Budget Process
- (b) That co-ordination internally be improved through the Office of the Municipal Manager
- (c) That monthly monitoring of SDBIP's and Capital Program through the respective Portfolio Committees be implemented as a standing item on the Agenda
- (d) That SED's comply with monthly reporting requirements to ensure compliance with all targets
- (e) That the financial system and performance management system be re-aligned to ensure accurate performance reports are prepared and submitted
- (f) That the number of cost centres on the budget be rationalized and aligned to the organizational structure in next budget cycle

- (g) That internal project management processes be improved to ensure effective implementation of the capital program,
- (h) That project task teams be established for all projects where co-ordination and integration is required
- (i) That the Interdepartmental Co-ordination Committee (ICC) comprising of all project managers (internal and external) meet regularly – this meeting to be co-ordinated through the Office of the Municipal Manager
- (j) That a system be developed to ensure monitoring of all service providers
- (k) That Intergovernmental Relations structures be established to better align and co-ordinate development priorities and reporting requirements for the municipality

CHAPTER 6

REPORT OF THE AUDITOR-GENERAL 2010/11

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON NEWCASTLE MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Newcastle Municipality, which comprise the statement of financial position as at 30 June 2011, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 67 to 71.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DORA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice No. 1111 of 2010* issued in *Government Gazette No. 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Property, plant and equipment

7. The municipality did not review the residual values and useful lives of assets at each reporting date in accordance with SA Standard of GRAP 17, *Property, plant and equipment (PP&E)*, as evidenced by assets with a gross carrying amount of R10,024 million being included in the financial statements at a zero net carrying amount whilst still being in use, thus impacting on the valuation of these assets. Furthermore, the accounting officer undertook an asset verification during 2010-11 in an attempt to correct assets that were not previously recognised. Therefore, as disclosed in note 38 to the financial statements, the 2009-10 corresponding figure for PP&E had been restated by R460,051 million. However, no supporting documentation and records were available for the restatement. In addition, no evidence was provided that assets were assessed at each reporting date for impairment. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation, existence, completeness and rights of PP&E for the amount of R460,051 million included note 7 to the financial statements and also determine whether any adjustments might be necessary to the amounts shown in the financial statements for accumulated surpluses, depreciation, accumulated depreciation and impairment.

Provision for bad debts

8. Note 2 to the financial statements includes an amount of R611,214 million, which is reflected as a bad debt impairment. This impairment was based on a general provision of consumer debtors outstanding at year-end over 60 days, without being supported by a reasonable risk profiling per location or category of the debt, bases and assumptions and in this regard, the accounting officer did not comply with SA Standard of GRAP, IAS 39 (AC 133), *Financial Instruments: Recognition and Measurement*. In addition, financial records and the aging history per debtor were not provided to assess the reasonability of the provision. Consequently, I did not obtain sufficient appropriate evidence to satisfy myself as to the accuracy of the provision for bad debts.

Opinion

9. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Newcastle Municipality as at 30 June 2011 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DORA.

Emphasis of matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Material losses

11. As disclosed in note 50 to the financial statements, material losses to the amount of R59,214 million (32 334 604 kilowatt hours) were incurred as a result of electricity distribution losses.

Irregular expenditure

12. As disclosed in note 53 to the financial statements, the municipality incurred irregular expenditure of R15,437 million as the expenditure incurred was in contravention of the Local Government: Municipal Supply Chain Management Regulations, 2005.

Additional matter

13. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

14. The supplementary information set out on the Appendices to the Annual Financial Statements does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 102 to 107 and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

16. There were no material findings on the annual performance report.

Compliance with laws and regulations**Annual financial statements**

17. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 (1)(a) of the MFMA. Certain misstatements identified with regard to revenue, receivables, payables, cash and cash equivalents and disclosures were subsequently corrected, but, the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

18. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA.

INTERNAL CONTROL

19. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters

reported below are limited to the significant deficiencies that resulted in the basis for qualified opinion, and the findings on compliance with laws and regulations included in this report.

Leadership

20. The accounting officer did not exercise adequate oversight responsibility over monthly financial reporting and compliance with laws and regulations relating to supply chain management and the relevant internal controls. Consequently actions were not taken to mitigate weakness to timeously respond to financial and compliance related risks.

Financial management

21. Systems and controls were not designed in a manner to prevent, detect and address risks that impact on financial and compliance reporting. In this regard, the accounting officer did not ensure that regular, accurate and complete monthly financial reports were prepared, which were supported and evidenced by credible and reliable information. In addition, compliance with applicable laws and regulations was not monitored regularly. This resulted in material corrections in financial statements and reportable compliance related issues.

Governance

22. The audit committee did not promote accountability through evaluating and monitoring responses to risks and provide adequate oversight over the effectiveness of the internal control environment, including financial and supply chain management compliance reporting requirements. In addition, the internal audit unit did not perform ongoing monitoring and evaluations to ensure that controls were appropriately designed and implemented.

OTHER REPORT

Investigation

23. An investigation to probe the manner in which cheques to the value of R10,357 million were stolen from the municipality's offices and presented for payment was still in progress at the report date.

Auditor-General

Pietermaritzburg

14 December 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

CORRECTIVE ACTION TAKEN OR TO BE TAKEN IN RESPONSE TO AUDIT ISSUES

The issues raised by the Auditor-General as responded to as follows :

ISSUE	ACTION TAKEN/TO BE TAKEN
LEADERSHIP ✓ Culture Of good governance	✓ Approved Code of Ethics Policy in July 2011 ✓ Staff information sessions to commence in January 2012
Oversight committee /SCOPA/MPAC	✓ SCOPA established in August 2011 ✓ Terms of reference reviewed to MPAC in October 2011
Filling of Critical Posts	<ul style="list-style-type: none"> ○ Total number of critical posts filled as at 30 June 2011 – 13, 4 in progress ○ In the process of restructuring proposals to be finalised in January 2012 for Council approval
Unauthorised, irregular and fruitless and wasteful Expenditure	✓ Registers in place in the SCM Unit and Creditors section – monitored by the CFO and reviewed by the Municipal Manager at least monthly
Internal Audit Action Plan	✓ KPI on the Internal Audit Action Plan included in Performance agreements of section 57 employees
INFORMATION TECHNOLOGY	✓ IT Governance Framework has been established. ✓ MANCO is the IT Steering Committee

ISSUE	ACTION TAKEN/TO BE TAKEN
	<ul style="list-style-type: none"> ✓ <i>IT Strategy approved in July 2011</i> ✓ <i>IT Disaster Recovery Plan approved in July 2011</i> ✓ <i>The IT Backup strategy which is based on a 2-rotational plan and how back-up media is stored offsite was also approved in July 2011</i> ✓ <i>The IT Security Policy approved July 2011.</i> ✓ <i>IT Asset Management Policy approved in July 2011</i> ✓ <i>IT Asset Register developed and being updated regularly</i>
FINANCIAL AND PERFORMANCE MANAGEMENT	
Proper filing system should be in place with regard to cheques	<ul style="list-style-type: none"> ✓ <i>Cheques and cheque vouchers are properly filed and kept in a lockable cabinet/strong room.</i>
Performance management source documents and reports to be stored centrally in a portfolio of evidence file.	<ul style="list-style-type: none"> ✓ <i>Portfolios of evidence submitted quarterly is stored in the Office of the Performance Manager</i>
Consultants to be monitored by the accounting officer and the CFO in terms of complying with the SLA regarding skills transfer to staff members of the municipality	<ul style="list-style-type: none"> ✓ <i>KPI to be included on SLA of Consultant</i> ✓ <i>Competencies of staff to be monitored and evaluated based on proposed performance processes for individual employees</i> ✓ <i>Skills Audit And Work Place Skills Plan</i>

ISSUE	ACTION TAKEN/TO BE TAKEN
All journals will be systematically filed and supported by audit evidence	✓ <i>Journals are systematically filed and supported by evidence and workings</i>
Monthly management accounts and quarterly financial statements shall be produced and presented before council and the audit committee.	✓ <i>Monthly reports done in terms of section 71, however a plan to prepare AFS on a quarterly basis is underway, and included in the performance agreement of the MM and CFO . Training on the AFS module of the new FMS has just been conducted. The accountant who will prepare quarterly AFS has been appointed</i>
Provision for doubtful debts will be supported by reasonable assumptions and criteria that have been approved by the accounting officer	✓ <i>An assumption of 60 days and + is currently used to provide for doubtful debts, Municipality is currently developing a policy to address this matter – to be done during the budget process</i>
Journals to be supported by proper documentation	✓ <i>All journals are now supported by proper documentation and/or workings</i>
Inventory stock counts to be conducted on a quarterly basis and the stock sheets to be properly filed for audit purposes.	✓ <i>The logistics Manager has been appointed with effect from 01/10/2011 and one of her tasks will be to conduct the inventory stock counts quarterly. This is envisaged to take place only in the 3rd quarter of</i>

ISSUE	ACTION TAKEN/TO BE TAKEN
	<i>2011/12 financial year</i>
Asset register <ul style="list-style-type: none"> ✓ to be reviewed on a monthly basis by the asset manager, CFO and accounting officer. ✓ Reconciliation of the asset register to the general ledger will be performed, and reviewed by an appropriate member of management on a monthly basis ✓ Asset counts to be performed quarterly by independent persons and reconciled to register and general ledger. These reconciliations are to be reviewed by the appropriate member of management. 	<ul style="list-style-type: none"> ✓ <i>pending the appointment of an Asset Manager and other staff under the unit. This has previously been done annually but the capacity improvement consultant is currently assisting with reviews on an ad-hoc basis. The asset manager will be appointed by 31 March 2012 thereafter these issues will be resolved</i>
<ul style="list-style-type: none"> ✓ Deviations register for SCM to be independently prepared and reviewed, with all instances being reported monthly to council. 	<ul style="list-style-type: none"> ✓ <i>The register is currently in place. However, due to staff constraints, reporting to Council has not been done on a monthly basis, but quarterly. Monthly reporting will be effected from the second quarter of 2011/2012 financial year.</i>
Development of a compliance checklist	<ul style="list-style-type: none"> ✓ <i>The draft checklist which will monitor compliance with different legislation has been developed and has be submitted EXCO and Council</i>
IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information	<ul style="list-style-type: none"> ✓ <i>The approved IT security policy is in place</i> ✓ <i>A full blown review of employee access rights has been done and finalised. The user access form has also been designed</i>

ISSUE	ACTION TAKEN/TO BE TAKEN
	<p><i>and is only approved by the finance manager managing a particular system module. Any other changes to user access levels are communicated by the manager to IT section via e-mail and periodic reviews will be performed on a three months basis</i></p> <ul style="list-style-type: none"> ✓ <i>A number of exception reports have already been development and in use. The following are amongst the few: Stores movement, Pay limit (over R200K), outstanding orders, budget transfers, unauthorised transactions</i> ✓ <i>Financial and non-financial performance reporting to be further aligned through an automated system for implementation in the 2012/13 financial year</i>
GOVERNANCE	
Risk Management Activities	<ul style="list-style-type: none"> ✓ <i>Risk Management Strategy and Policy approved in July 2011</i> ✓ <i>Risk Management Plan approved in July 2011</i> ✓ <i>Anti-corruption strategy and Fraud Preventions Plan approved in July 2011</i> ✓ <i>Organisational Risk Register approved in August 2011</i> ✓ <i>IT Risk Register approved In August 2011</i> ✓ <i>Risk Committee established</i>

ISSUE	ACTION TAKEN/TO BE TAKEN
	<ul style="list-style-type: none"> ✓ All risk management policies workshopped to Council in September 2011 ✓ Risk Manager appointed with effect 01 December 2011
Functioning of Internal Audit ✓	<ul style="list-style-type: none"> ✓ Quarterly internal auditing of performance measures in progress in line with Internal Audit Plan for 2011/12 ✓ Performance monitoring in progress at least quarterly ✓ Restructuring to cater for dedicated audit staff to each department to support and ensure effectiveness of internal controls <ul style="list-style-type: none"> ○
Functioning of Audit Committee	<ul style="list-style-type: none"> ✓ Re-establishment of Audit Committee in August 2011 ✓ Audit Committee consideration of Financial statements prior to submission to AG in August 2011 ✓ Increased number of members to ensure continued functionality
Community Participation PMS	<ul style="list-style-type: none"> ✓ IDP Representative Forum ✓ Aligned to IDP and Budget roadshows ✓ Ward Committees established during September/October 2011 ✓ To use ward committees to enhance public participation processes holistically ✓ Use of media – newsletters, local newspaper etc.

CLEAN AUDIT 2014

The Newcastle Municipality is committed to CLEAN AUDIT 2014 through :-

- ✓ Municipal Turnaround strategy – to be a standing item on the agenda
- ✓ Restructuring and placement process to concluded by June 2012
- ✓ Oversight through SCOPA/MPAC
- ✓ Audit Committee functionality – increased number of members to attract more qualified members and incentive to perform
- ✓ Internal Audit – capacity to be increased
- ✓ Intensify Performance Management processes and cascading to all employees – phased approach,
- ✓ Risk Management intensified through establishment of a unit
- ✓ Compliance Checklists for all departments to be compiled and monitored through performance agreements
- ✓ AG and internal audit action plans - to be a standing item on the agenda and KPI on performance agreements
- ✓ Anti-corruption and fraud prevention plans
- ✓ Increase capacity – SCM and other priority functional areas and minimum competency compliance through MFMP

CHAPTER 7

ANNUAL REPORT OF THE MUNICIPAL ENTITY – Uthukela Water (Pty) Ltd

The [Annual Report of the Municipal Entity – Uthukela Water](#) is presented as part of this Annual Report and is attached as Appendix 3.

CHAPTER 8

RECOMMENDATIONS OF THE AUDIT COMMITTEE

The Audit Committee as at the 30 June 2011 was not functional due to resignations of Audit Committee members. However this component will be pursued and inserted on receipt thereof in terms of section 127(3) of the MFMA.

VOLUME 2

SERVICE DELIVERY ANALYSIS AND PERFORMANCE HIGHLIGHTS (INCLUDES PHOTOS)

APPENDICES

APPENDIX 1 [CONSOLIDATED FINAL AFS NEWCASTLE LOCAL MUNICIPALITY](#)

APPENDIX 2 - ANNUAL PERFORMANCE REPORT 2010/11

✓ [ORGANISATIONAL SCORE-CARD USING THE COGTA REPORTING TEMPLATE](#)

✓ [SDBIP'S FOR ALL DEPARTMENTS](#)

✓ [CAPITAL STATUS REPORT AS AT 30 JUNE 2011](#)

APPENDIX 3 - [UTHUKELA WATER ANNUAL REPORT 2010`11](#)